

**DEPARTMENT OF MINES, MINERALS
AND ENERGY**

VIRGINIA GAS AND OIL BOARD

TUESDAY, DECEMBER 18, 2012

LEBANON, VIRGINIA

APPEARANCES:

BOARD MEMBERS:

BRADLEY LAMBERT, CHAIRMAN

SHARON PIGEON, Senior Assistant
Attorney General

BRUCE PRATHER, Gas and Oil Industry
Representative

DONALD RATLIFF, Coal Industry
Representative

MARY QUILLEN, Public Member

BILL HARRIS, Public Member

RITA SURRATT, Public Member

ALSO PRESENT:

RICK COOPER

DIANE DAVIS

MARY BAKER

**LINDA C. MILLER
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1 MR. LAMBERT: Good morning,
2 ladies and gentlemen. It's now 9:00 o'clock
3 and time to begin our proceedings. If you
4 will please take your seats.

5 Before we start this morning, I
6 would ask that if you do have any cell
7 phones or other communication devices,
8 please turn those off at this time. We're
9 doing a new electronic process of these
10 Board hearings and we certainly don't need
11 cell phones and pagers going off during this
12 process.

13 Also if you must take a call, please
14 go out into the hall and take that call and
15 I'll ask that you keep your conversations
16 down please while we're going through this
17 new electronic process of converting the way
18 that we do these Board hearings.

19 I will begin this morning by asking
20 the Board Members to please introduce
21 themselves and I'll begin with Ms. Surratt.

22 MS. SURRATT: Rita Surratt from
23 Dickenson County.

24 MS. PIGEON: I'm Sharon Pigeon

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1 with the Office of the Attorney General.

2 MR. PRATHER: I'm Bruce Prather,
3 Department of Mines, Minerals and Energy.

4 MR. RATLIFF: Donnie Ratliff
5 representing Coal.

6 MR. HARRIS: I'm Phil Harris, a
7 Public Member from Wise County.

8 MR. PRATHER: I'm Bruce Prather.
9 I represent the Oil and Gas Industry.

10 MS. QUILLEN: Mary Quillen, Public
11 Member.

12 MR. LAMBERT: Thank you. We'll
13 begin this morning with our first item on the
14 docket and that is public comment. I'll
15 begin with those folks that have signed up
16 with Karen Simmons.

17 Ma'am, would you please move up in
18 front of the microphone. I'd ask you to
19 please state your name for the record?

20 MS. SIMMONS: Karen Simmons.
21 Good morning. First I'm going to oppose,
22 and I don't know if you want me to wait until
23 our item comes up, 34, to oppose the second
24 well.

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1 MR. LAMBERT: Yes, ma'am. If
2 you're going to comment on a docket item,
3 I'd ask you to please wait until that docket
4 item is called.

5 MS. SIMMONS: The second thing --
6 first of all, they asked for you to make sure
7 that we all know this is being recorded. I
8 am representing my family, the Davises, and
9 they have given me a list of questions to
10 ask.

11 So the last time we were here,
12 August the 16th, 2009, we objected to the
13 additional well. Thank you for agreeing with
14 us back then. Our letter expressing our
15 concerns then are the same as our family --
16 our family owns the largest parcel of land,
17 25.49 percent of the 58 acres on AX99. We
18 still object to the additional well.

19 The present well appears an
20 encroachment on our property. We are
21 requesting -- we represented on the August
22 the 19th hearing and recently for documents
23 of the lease for the existing well.

24 Mr. Asbury and the CNX

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1 representatives who could not find it in 2009
2 and promised to send it to us. We have yet
3 to receive and I also called even yesterday
4 and spoke to a lady, Bonnie, and requested
5 that we could see who gave them permission
6 for the first well.

7 We've just asked for the documents.
8 If they're amending something, we'd like to
9 see what they're amending. We have yet --
10 even yesterday they said they would call me
11 back after 12:00. I still have not received
12 it and still do not have the information that
13 we've requested over and over.

14 There is damaged boulders on the
15 property at the foot of our mountain from the
16 previous well installation matching the
17 material installed to lay out over the well
18 area.

19 CNX financial reports published on
20 the website refer to the rich prosperities
21 area for present and future profits. This is
22 where the well is located. It's the coal gas
23 vein in the Norma Field.

24 The Virginia Department of Minerals

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1 -- Mines and Minerals and Energy Report
2 shows gas production began 09, 2004 and 05
3 2012, the last date posted for a total of
4 \$184,221,028.

5 My dad's first check from CNX was
6 October the 15th, 2004. The first
7 entitlement was mailed to my dad and
8 received in (inaudible) address noticed the
9 hearing of the date.

10 March 2nd, 2005 a copy of the VGOB
11 recorded for the Board order. May 16, 2008
12 I wrote a letter for dad for Mr. Lesley K.
13 Arrington interested in sharing in the well
14 after getting no response to the call or the
15 letter.

16 How much has CNX paid out total to
17 the owners, including State escrow? How
18 much is in the escrow deposit? How much
19 is that compared to how much gas has been
20 siphoned from the well?

21 In all those checks that were sent to
22 my family, my father has had a total in all
23 these years from CNX Gas of \$7.19. He
24 received a check for one penny on

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1 11/19/2010, sent it certified mail. So the
2 postage was more than the check that came.
3 He received another check for four cents on
4 11/19/2010.

5 So when you look at all the years
6 for gas rights to think that \$7.19, I'm sorry,
7 I feel there's a lot of questions that needs
8 to be answered and we do not want them to
9 drill on our property anymore.

10 I would request that someone here
11 make sure that we have the papers to show
12 who gave them the rights to start with. I
13 don't understand why no one can find that
14 paperwork.

15 If the well is still active, then that
16 paperwork should be active and should be
17 sitting somewhere. I don't understand why
18 no one can give us that. We want to know
19 as a family who gave permission, where is
20 that first paperwork, and I request today that
21 before I leave someone can find that and
22 give it to me while I'm here.

23 MR. LAMBERT: Ms. Simmons, you
24 mentioned that you contacted a Mr. Dave

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1 Asbury?

2 MS. SIMMONS: Uh-huh.

3 MR. LAMBERT: And Mr. Asbury
4 never got back with you?

5 MS. SIMMONS: Mr. Asbury, when I
6 came here to a hearing before in August and
7 he got up and went and looked for the
8 paperwork because we asked for it. He
9 came back and I can't find it. I assure you
10 I will send it to you. We still have not
11 received it.

12 MR. LAMBERT: Who did you call,
13 yesterday?

14 MS. SIMMONS: I called again
15 yesterday and spoke to a lady named Betty
16 in the office and I told her I was coming in
17 and I would be here and I would like to pick
18 it up so I would have time to review it and
19 look at it last night.

20 She said that two people were out
21 yesterday and I think she said Debbie comes
22 in later. I'm not sure if that's the name but
23 I did ask her specifically her name. She
24 said she don't come in until 12:00 o'clock.

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1 She will call me when she gets in.

2 I said that's fine. I won't be there
3 until 4:30 or so. She don't have to call me
4 as soon as she gets in because I don't want
5 to put anybody under that pressure, but if
6 she can please have the paperwork for me I
7 would appreciate it and I still never received
8 a call back.

9 So it's very concerning to me that
10 why no one can give our family -- and I
11 would like that.

12 I will address the other things when
13 it's our turn to come up and then the
14 financial things, too, when CNX comes up.
15 But I'd appreciate if someone can just let us
16 know where that is or get that for me before
17 I leave today.

18 MR. LAMBERT: I'll ask the Division
19 Director, Mr. Cooper, if you can see maybe
20 during the break or during lunch if you would
21 see if you can work that out.

22 MR. COOPER: Right. I guess we
23 need to get together and talk a little bit.

24 MS. SIMMONS: Okay, because they

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1 have called CNX also an requested it. My
2 sister Debbie has and they've never
3 responded to her, too.

4 So we have went through all the
5 different branches, CNX and here, and no
6 one has been able to give it to us. So I'd
7 appreciate it. Thank you very much.

8 MR. LAMBERT: Juanita Stabia.
9 (phonetic).

10 MS. STABIA: I have nothing to say,
11 Mr. Chairman.

12 MR. LAMBERT: Okay. Katherine
13 Jewell.

14 MS. JEWELL: Yes, I'd like to make
15 some comments.

16 MR. LAMBERT: Please state your
17 name for the record, Ms. Jewell.

18 MS. JEWELL: Katherine Jewell.

19 MR. LAMBERT: Thank you.

20 MS. JEWELL: On docket number 40,
21 this thing actually is not -- you actually
22 can't hear very well when you're in the
23 audience with this system.

24 Docket number 40 says the Board

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1 will consider election rights of the second
2 well in a unit. Now I'm not too sure what
3 that docket item concerns. Usually the
4 policy is you can't ask questions. So let me
5 just state what I think it means.

6 First, I find it very hard to believe
7 that this Board is now considering whether
8 or not to allow election options for unleased
9 gas owners for additional wells in the unit.
10 If so, I strongly advise each of you to go
11 back and read the act and regulations.

12 The intent was to protect correlative
13 rights and not to decimate them. Let me
14 provide a little history.

15 First, the 1990 Gas and Oil Act was
16 not constructed in a vacuum. In 1982 the
17 General Assembly of Virginia passed the
18 Virginia Oil and Gas Act. One of the goals
19 of that act was to limit the rule of capture
20 by defining pools and units.

21 Under Article 2, Oil and Gas
22 Conservation, it is hereby declared to be the
23 public policy of the Commonwealth and in
24 the public interest to: one, encourage the

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1 maximum recovery of oil and gas while
2 preserving capital; two, prohibit waste of oil
3 and gas resources and unnecessary surface
4 loss of oil and gas and their constituents;
5 and, three, safeguard, protect and enforce
6 the correlative rights of operators and
7 royalty owners in a pool of oil or gas to the
8 end that each operator and royalty owner
9 may obtain his just and equitable share of
10 production from the pool.

11 This policy was kept when the 1990
12 Act was passed and it's almost verbatim in
13 that act. The 1982 Act included the term
14 "gas operator." This is confusing for people
15 that are reading the past act from the
16 wording and definitions of the current act.

17 A gas operator in 1982 was stated
18 as, in the event that there is no gas lease
19 in existence with respect to the tract in
20 question, the owner of the gas rights therein
21 shall be considered a gas operator of the
22 gas in the portion of the pool underlying the
23 tract in which he owns.

24 See the reason for that was that the

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1 '82 Act provided options for un-leased
2 owners or operators. One, he could
3 participate in the operation of the well; two,
4 sell his oil or gas ownership interest or
5 leasehold interest to the participating
6 operator on a reasonable basis for
7 reasonable consideration, which if not agreed
8 upon may be submitted by the non-
9 participating well operator to the Commission
10 for binding arbitration determination; or,
11 three, share in the operation of the well on
12 a carried basis after the proceeds reached
13 100 percent of the share of such cost
14 allotted to the interest of the carried
15 operator or 300 percent if the case was a
16 leaseholder. Okay.

17 So in there you didn't have the
18 option to lease because that had already
19 been given to you. You were being force
20 pooled because you hadn't elected to lease.
21 You hadn't entered into a voluntary contract
22 with an operator.

23 The 1990 Act so was not the first
24 to introduce compulsory pooling. It did not

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1 introduce pooling or the concept of
2 correlative rights. What it did do is make a
3 distinction between natural gas and coalbed
4 methane and increase the penalty for un-
5 leased gas owners electing to be carried
6 from 100 percent to 200 percent and
7 provided the much hated deemed lease
8 provision.

9 Pool orders under both acts were
10 designed to protect correlative rights and
11 both acts defined correlative rights, and I
12 will repeat this, means the right of each gas
13 or oil owner having an interest in a single
14 pool to have a fair and reasonable
15 opportunity to obtain and produce his just
16 and equitable share of production of the gas
17 or oil in such pool or its equivalent without
18 being required to drill unnecessary wells or
19 incur other unnecessary expenses to recover
20 or receive the gas or oil or its equivalent.

21 Now in the 1990 Act if you -- a
22 person who had not entered into a lease
23 could elect to sell or lease his gas or oil
24 ownership to a participating operator, enter

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1 into a voluntary agreement to share in the
2 operations of the well at a rate of payment
3 mutually agreeable by the gas or oil owner
4 or the gas or oil operator authorized to drill
5 the well; or, three, share in the operations
6 of the well as a non-participating operator
7 on a carried basis after the proceeds
8 allocatable to his share equals the following
9 and it goes on, the 200 percent or 300
10 percent, or participate in the well. So those
11 are your options.

12 If you fail to make an election under
13 the 1990 Act, you were deemed leased. Now
14 this is what we have to remember. Coalbed
15 methane and coal mine gas were first
16 produced in Virginia in the 1980's. Okay.
17 I believe Island Creek was the first one to
18 produce it.

19 They did sell it. They didn't pay
20 the owners of it. What they did was use it
21 to dry their coal.

22 The predecessor to the Board
23 established coalbed methane field rules and
24 these rules essentially -- Equitable is the

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1 one who requested these rules -- laid out
2 the Nora Field into 58 to 60-acre units,
3 which was like putting a grid over the Nora
4 Field. That included all of Dickenson County
5 and portions of Buchanan and Russell
6 County.

7 These rules were constructed with
8 the understanding that one well in the unit
9 would adequately drain the coalbed methane.
10 Rules as to where the well could be located
11 in relationship to the borders of the tract
12 were also established. Okay.

13 Each owner or claimant with interest
14 in the unit was assigned his proportional
15 share. So the grid was laid out. I know
16 we've got some new members of the Board.
17 Maybe they don't understand the grid, but I
18 think the rest of them do.

19 Other Field Rules were established
20 in the 1990's. The Oakwood Field Rule, the
21 Roaring Forks Field Rule and the Middle
22 Ridge. All pooling and permit applications
23 for coalbed methane tract wells are governed
24 by the Field Rules regardless if it's a

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1 voluntary unit or a forced pooled unit.
2 Those are the rules of which those permits
3 are issued.

4 Around 2003 operators started to
5 submit Field Rule modifications for infill
6 drilling. These modifications covered
7 anywhere from a couple hundred units to one
8 or two units. Okay.

9 They established the distance
10 between the wells, the second well in the
11 unit, and they established the distance from
12 the borders supporting the unit. Okay.
13 Those were in the Field Rule Modifications.

14 The reason for these infill drilling
15 vary. A lot of it was economics because gas
16 was pretty good at that time. It was a good
17 price.

18 EQT pooling applications were
19 generally for one well. When a unit was
20 pooled for a second well, okay, it was a new
21 application and pooling orders were recorded
22 and un-leased owners were provided with
23 new elections for that second well.

24 On a couple of occasions where EQT

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1 pooled a unit for two wells, it would show in
2 the application there's two wells in there;
3 here's the cost for the two wells; your
4 options are to participate, be carried, do
5 nothing. Those were your options. So it
6 gave the person election options for that
7 second well.

8 MR. LAMBERT: Ms. Jewell, how
9 much longer are you going to be.

10 MS. JEWELL: About two minutes.

11 MR. LAMBERT: Okay. Thank you.

12 MS. JEWELL: I hope you're taking
13 this in. I mean I'd hate to think I'm wasting
14 my time again, because I brought this up in
15 2008. I brought this up in 2009.

16 In the past the practice of CNX was
17 only to submit pooling applications showing
18 one well in the unit. When a second well
19 was proposed in the unit, they did not
20 submit pooling applications for the second
21 well. As a result, gas owners never
22 received any election options on that second
23 well.

24 More recently some of those

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1 applications have come before you and
2 you've made -- and they were given their
3 election rights to that second well. There's
4 a lot out there that that did not happen.

5 Even more recently CNX has had
6 applications showing two wells. But the
7 testimony when these applications were
8 provided was that we have -- that we are
9 proposing one well in the unit.

10 When you get your election options,
11 you base it on what the testimony was, what
12 the pooling application is, and what it says
13 in the pooling order. Okay.

14 If you have one well in a unit, I'm
15 going to look at what is the cost of this
16 well. I'm going to look at what are the
17 estimated reserves in this unit.

18 Those estimated reserves are
19 presented as units per the unit, 125 to 550
20 has not changed in 20 years. That's what I
21 base my elections on. So if I left, I don't
22 want to hear that three months down the
23 line, they've got a second well in the unit
24 that's competing with my one well.

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1 So my point is that, you know, your
2 election options, you have to provide people
3 their election options for the second well.
4 You absolutely do or else you're not in
5 compliance with the Act. I mean that's the
6 point of the Act and I will leave. I'm
7 getting an evil grin from Mr. Lambert here.

8 MR. LAMBERT: Thank you. Janet
9 Ratliff.

10 MS. RATLIFF: Yes. My name is
11 Janet Ratliff. My husband was Jerry Ratliff.
12 He's deceased. He passed away November
13 the 8th of '99. I have battled CNX and I've
14 been sick. I had in April a massive heart
15 attack. I had a fall last Monday and busted
16 my head and everything. I have battled
17 them. They have lied to me countless times.

18 They'll say I got a letter. We need
19 your Social Security number. We're going to
20 start paying royalties. Well, to this day --
21 that was in 2004 and right here is the check
22 that I received from them. It cost 40-some
23 cents to mail it to me. One penny.

24 The day I got that out of the mail,

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1 it's a good thing I didn't have a hold of
2 nobody at CNX. I'll just tell you that much.
3 To mail anybody a check for a penny and I'm
4 going to have it put in the local papers.
5 That is plum -- and I ain't come here with
6 no bunch of stuff but they sent papers to my
7 children this past two weeks ago wanting to
8 drill another well on AX99, Moses Davis'
9 estate, and I have proof of Moses Davis with
10 my mother-in-law. This was in her family
11 Bible.

12 I have proof that he -- my mother-in-
13 law was born September the 24th, 1912 and
14 Gertrude Davis died on January the 23rd of
15 1954. Gertrude was the oldest child of
16 Moses and Emmaline Hale Davis and Muncy
17 was the son of Shade and Lillian Ratliff or
18 Lucille Ratliff.

19 Muncy William Ratliff and Carry
20 Gertrude Davis were married April the 18th,
21 1911 and their children were Orey Lackey
22 Ratliff and she was my mother-in-law.

23 So they have put me off and they
24 would send old certified stuff and it's been

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1 pitiful.

2 This is the letter about the taxes.
3 I sent that back. I called and told them I
4 didn't give my Social Security Number to
5 people. They said if they didn't get the
6 Social Security Number, I couldn't get no
7 royalty check. So I took a chance and sent
8 it. I don't know what they've done with that,
9 as crooked as everything has been and
10 everything else.

11 Shay Cook had contacted me several
12 year ago and I still haven't received a thing
13 from them. And I returned the tax papers on
14 the 11th, 16th of '04. To this day they
15 haven't been a thing returned. No royalty.

16 They say they is money in the
17 escrow account. Why can't we get out
18 money. You people work for them. You all
19 got big suits on. I don't have big suits to
20 wear. My house needs a roof. I need
21 windows in my house and I need my money
22 while I'm alive trying to survive. And they
23 owe it to us and I want to know -- they want
24 permission in the letter saying they're

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1 wanting to drill another one back there and
2 they are not -- they'd better nor drill nary
3 other one because until they pay me and my
4 kids, they're not drilling nary well or I'd
5 better never catch them on there. Now
6 that's it, because I've done been back there.

7 I have a -- I know a person that
8 works for CNX and the well has really
9 pumped the gas. He says it's a big pumper.

10 They can't tell me they's no money
11 and I even came over here one time. The
12 lady in the office she told me she'd write me
13 a check for \$82. I told her I didn't want
14 her check for \$82. If they's millions, why
15 do I want \$82. I'm an heir and I know
16 they's several heirs in this. I think they is
17 about 115, but they is enough for all of us.

18 But why won't they pay us is what
19 I'm here today to find out why they will not
20 give our royalty. They've been back there
21 all these years and nobody's got a penny out
22 of it.

23 So if they's no money in it, who got
24 it? That's what I want to know. And we

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1 didn't give them permission to put the well
2 on the property. They never come and
3 asked me or my husband to put that on
4 there.

5 Why do they have to be so conniving
6 and thieving? If we get out and do people
7 like that, they'd have me in Buchanan County
8 in the jail in Grundy.

9 Now if I got out here and told
10 people I was going to pay them this and that
11 and I didn't pay it, they're going to pick
12 your butt up and put you in the jail in
13 Grundy. I'm getting tired of it. They're
14 saying this and I'm going on 72 years old
15 and I'm tired of it.

16 I have called. I've spent a fortune
17 in phone bills to them and they wouldn't
18 return -- I even called when the certified
19 letter come two weeks ago. No. They didn't
20 return no phone call because they know that
21 they owe us or they swindled it out one.

22 Now people are crooked anymore and
23 where they's a dollar involved, they'll go
24 after it, and I'm tired of it. I've been -- my

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1 husband was bedfast for two year. He was
2 down two year. I attended to him four year.
3 I would sit up night and day. We've med-
4 flighted him to Bristol and everything. So
5 I'm sure that he'd want me to fight for it
6 because it belonged to us.

7 I can't see them going back there
8 and drilling another well. The family is --
9 the people on this list really need to step up
10 I know, but a lot of them, well, are old.
11 Some of them that I knew from marriage
12 before my mother-in-law died, they probably
13 didn't have enough schooling to really check
14 into anything.

15 But now as far as me, I want mine.
16 I think I deserve it. They're living high and
17 mighty off of it and we're still not got
18 nothing. When are they going to break it
19 down and pay it? You don't know either.

20 MR. LAMBERT: Well, Ms. Ratliff,
21 you're telling the Board just information that
22 we don't have in front of us. We don't know
23 the specifics of what you're asking. But
24 what I will do today is ask if the Director of

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1 the Division of Gas and Oil, Mr. Cooper, if
2 you will contact him, he'll give you his card
3 at break, and then we'll see what we can do
4 to help you.

5 MS. RATLIFF: Now, I want mine and
6 I'm tired of fooling with them. I have a
7 daughter that lives in Manassas that works
8 for a lawyer and I'm going to go up there
9 and I'm going to hire me a lawyer and I'm
10 going to put the law to them. I'm tired of
11 it.

12 I've been put through the whip mill
13 with them and they just do what they want
14 to. They don't come and ask you or
15 nothing. But now they'd better not -- you
16 relay the message. They better not go up
17 there and be starting another one because
18 now we're going to shut them down, because
19 that's not right.

20 They ain't paid a penny for this one
21 at AX99. They've not paid us a penny out
22 of it and I guarantee you I'm not sitting by.
23 Now I'm fed up with it. I have had a heart
24 attack and I don't have nothing to live for

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1 much no way. I fell last Monday and busted
2 my head and everything.

3 But I am tired of it and I mean tired
4 to the bone of it and I want my money out
5 of it and it's due us and it was Moses
6 Davis' and I've got the proof and everything
7 that my husband was related to Moses Davis.

8 MR. LAMBERT: Well, Ms. Ratliff,
9 during the break I'd ask that you get with
10 Mr. Cooper and exchange information so he
11 can look into that for you.

12 MS. RATLIFF: Okay. I'll try you
13 one more round, but I'm not giving up this
14 time.

15 MR. LAMBERT: Allen Bostic. Good
16 morning, Mr. Bostic. Please state your name
17 for the record.

18 MR. BOSTIC: My name is Al Bostic.
19 I'm here speaking for my fiancée, which is
20 also Ms. Ratliff's daughter.

21 According to what my understanding
22 is, nobody was never notified before the first
23 well was drilled to start with. They was no
24 meeting, no papers signed. The company

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1 don't even own the mineral rights on that
2 land and that's a plain and simple fact. The
3 mineral rights was never sold. They don't
4 even own them.

5 Then all this money that came out of
6 the well, the first one, went into escrow.
7 Nobody won't say nothing about how much
8 money is in there or tell anybody anything.

9 These people live poorly. Now how
10 you can send a check to a person for one
11 penny and make all this money off of it and
12 expect everybody not to say something, I
13 don't understand that. Somebody is wrong
14 and it ain't the people that belongs to the
15 land. It's the company.

16 Now these people -- Ms. Ratliff's
17 house is in bad shape. It needs a roof on
18 it and everything, but everybody else is
19 making money off of it and spending it to do
20 whatever they want to. She can't get
21 nothing but one penny.

22 Now do you expect to put a roof on
23 a house for a penny. Now, they is
24 something wrong with this whole thing. Now

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1 I'm speaking for her, my fiancée, and the
2 rest of the family. They will not be no
3 second well drilled because the first one can
4 be shut down because there's no
5 documentation whatsoever. No rights were
6 sold over to the company or anything.

7 Somebody is going to have to back
8 up and pay these people one way or the
9 other and that's all I got to say.

10 MR. LAMBERT: Thank you, Mr.
11 Bostic.

12 MR. LAMBERT: Margaret Ratliff.
13 Please state your name for the record, Ms.
14 Ratliff.

15 MS. RATLIFF: My name is Margaret
16 Ratliff. I'm Ms. Ratliff's second oldest child.
17 Like my mother was saying, my father drove
18 a coal truck all his life and mom and dad
19 had four children and then adopted my baby
20 brother.

21 Mom and dad struggled, which they
22 raised us. We had fine parents. I couldn't
23 have asked for any better. But we was
24 never notified on the AX99 from the get-go.

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1 I have never signed nothing. They
2 sent me some paperwork one time and
3 wanted me to sign over and I told them I'm
4 not selling nothing for ten dollars, one
5 penny, not nothing. And the first well was
6 put in and there's not going to be, as far as
7 I'm concerned, another well put in until I get
8 paid for the first well that was put in.

9 I don't think that's right. My mother
10 has went without things. Whether I get
11 anything, it doesn't matter to me, but I want
12 to see her have things because, like I said,
13 she worked hard all of her life. She has
14 struggled. She had a massive heart attack
15 in April. I thought she was gone then.

16 My dad, he's already left us, and his
17 mother, his father, grandparents, they're
18 already gone. But just because they're gone
19 don't mean that CNX ought to take advantage
20 of us.

21 Like I said, there was nothing ever
22 put in front of us about the first well and
23 until I am paid something and my mother is
24 paid something from the first well, as far as

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1 my part is concerned, I will not sign a thing.
2 I will retain a lawyer if I have to because I
3 don't think that it's right to let CNX go in
4 and put in another mine -- I mean another
5 gas well when the first one hasn't been
6 taken care of either.

7 We have word that it has produced
8 good and we're only asking for our fair
9 share. We don't plan on being rich. We
10 wouldn't know what to do with it if we had a
11 lot of money because we've never had a lot,
12 but I mean, you know, what we're entitled to
13 we feel like we deserve it and we need it.

14 I just felt like that was what I
15 wanted to say today. I will not sign
16 anything letting another well be put in when
17 I have not been compensated for the first
18 well. Thank you all.

19 MR. LAMBERT: Excuse me if I
20 pronounce this wrong. Is it Rhonda Erdely
21 or Randa Erdely? I think it's E-r-d-e-l-y.

22 MS. ERDELY: Right.

23 MR. LAMBERT: Do you have public
24 comments?

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1 MR. COOPER: Mr. Chairman, Ms.
2 Erdely -- we have an appeal. That's part of
3 that appeal later on. So she may want to
4 come forth later.

5 MR. LAMBERT: Okay. Is that
6 correct? Are you here for the appeal, Ms.
7 Erdely?

8 MS. ERDELY: Right.

9 MR. LAMBERT: We'll call that later.

10 MS. ERDELY: Later on today?

11 MR. LAMBERT: Yes, ma'am.

12 MS. ERDELY: They'll call us later.

13 MR. LAMBERT: I'm sorry, Mr.
14 Erdely.

15 MR. ERDELY: That's okay.

16 MR. LAMBERT: Ma'am, we'll call
17 that for petition number 32 at that time.

18 Sidney Deel. We'll call you at Item
19 32. Thank you.

20 Next on the docket we're calling
21 Docket Item Number 3, a petition from EQT
22 Production Company for disbursement of
23 funds from tracts 1, 2 and 4 for Alcie Keen
24 for unit VC-536070. This is Docket Number

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1 VGOB-04-0921-1337-06. That one is to be
2 continued.

3 MS. DAVIS: Let's continue it to
4 February.

5 MR. LAMBERT: Until February?

6 MS. DAVIS: Yes, sir, please.

7 MR. LAMBERT: I skipped one and I
8 need to back up.

9 MS. DAVIS: No. That's fine. I'm
10 going to be here all day so if you want to
11 go ahead and catch it later, that's fine.

12 MR. LAMBERT: You don't have a
13 problem with that?

14 MS. DAVIS: I don't have a problem
15 with it.

16 MR. LAMBERT: I think what we'll do
17 is go ahead and hear that.

18 MS. DAVIS: Okay.

19 MR. LAMBERT: We're calling now
20 the Board will receive a quarterly/year-end
21 report from the First Bank and Trust, Escrow
22 Agent for the Virginia Gas and Oil Board.

23 Ms. Davis, if you would please come
24 forward.

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1 MS. PIGEON: There might be some
2 folks in the audience that want to hear you
3 and need to leave.

4 MS. DAVIS: That's fine. Good
5 morning. My name is Debbie Davis. I'm
6 with First Bank and Trust Company. I did
7 want to start out by letting you all know that
8 Mr. Tom Davis, my department head, has
9 decided to retire at the end of the year.
10 After over close to 50 years in the business
11 he's decided to hang it up and go home and
12 spend time with his grandkids.

13 So we do have his replacement, Mr.
14 George Taylor. He is currently working out
15 of our Christiansburg Office and he had prior
16 appointments today and couldn't join us.

17 Also we have a new Portfolio
18 Manager that will be assisting me with the
19 investment portion and his name is Mr. C.J.
20 Carter and he is also located in our
21 Christiansburg Office. He also was tied up
22 in other meetings today.

23 But hopefully when we come back in
24 January, they will both or one of them will

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1 bel with me.

2 MR. LAMBERT: Okay.

3 MS. PIGEON: Is the replacement
4 Karen McDonald?

5 MS. DAVIS: Really Tom kind of took
6 over Karen's duties. Mr. Taylor is going to
7 do more of just the role of being the
8 department head in new business, whereas
9 C.J. is going to focus just on investments.
10 So it took two people to replace Tom. He
11 was so special to us.

12 MS. QUILLEN: Excuse me. I have
13 just one question. Are they both going to
14 remain in the Christiansburg Office?

15 MS. DAVIS: Right now that's kind of
16 up in the air. You know, Mr. Davis was
17 located in our Staunton Office in Staunton,
18 Virginia and Mr. Taylor, he's down at least
19 once every two weeks visiting. But right
20 now they are located in our Christiansburg
21 Office just for space-wise.

22 MS. QUILLEN: We can expect them
23 to be able to come for Board meetings?

24 MS. DAVIS: Yes. That will be no

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1 problem.

2 MS. QUILLEN: I think that's real
3 important particularly since they're both new.

4 MS. DAVIS: Yes.

5 MS. QUILLEN: You know, that we
6 see them and have some --

7 MS. DAVIS: Right and where they
8 are new, they're going through, you know,
9 trying to meet a lot of people and do a lot
10 of things. That's the reason I said hopefully
11 at the January meeting when we come back,
12 they can come and meet at that time.

13 MS. QUILLEN: I think it's real
14 important that we know both of those people
15 and, you know, they have some --

16 MS. DAVIS: Yes, and I agree. I've
17 told them to be ready, you know, to keep
18 their calendars open for that January
19 meeting.

20 MS. QUILLEN: Excellent. Thanks.

21 MS. DAVIS: You're welcome. Since
22 I wasn't here in October to do the third
23 quarter report, it's behind the first tab, I've
24 done a summary to give you the beginning

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1 balance at that time of \$27,901,220.46. We
2 have deposits for that third quarter of
3 \$330,562.31. Interest earned between money
4 market and CDARS was \$32,268.25.

5 Our fees for the quarter was
6 \$6,927.11. The third quarter we did
7 distributions per orders of \$674,087.29.

8 The audit expenses for the quarter
9 was \$15,133.17. That was I think the final
10 billing for the company that did the audit
11 was included in that one, which gave us an
12 ending balance as of 9/30 of \$27,567,903.45.

13 The second summary I went ahead
14 and did a summary for October and
15 November since I was here just to give you
16 a brief overview.

17 For those two months we received
18 deposits of \$190,914.36. Interest earned on
19 those two months was \$18,517.85. Our fees
20 totaled \$4,589.93. We did distributions per
21 orders of \$188,305.68. We had audit
22 expenses of \$6,116.40.

23 There was an adjustment of four
24 cents which come in. It was due to interest

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1 that come in late that I had credited to the
2 account, which gives us an ending balance
3 of 11/30 \$27,578,323.69.

4 Are there any questions for those
5 summaries?

6 [No response.]

7 MS. DAVIS: Behind tab two I just
8 gave the monthly breakdown for the month of
9 November just for you to have for your
10 records.

11 MR. PRATHER: How much cash do
12 we have on hand in the account?

13 MS. DAVIS: It's behind the third
14 tab. To date as of 11/30 we have
15 \$3,098,323.69. We're still trying to maintain
16 that around the \$3,000,000 mark.

17 As you all remember when Mr. Hider,
18 the bank's CEO, came with me prior this
19 year, he had adjusted the rates on the
20 CDARS as they come to mature. So you will
21 see that some of those CD's that have
22 matured through the year during that time
23 have went to the lower rate.

24 We still have five CD's that are still

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1 earning the 65 basis points and the 50 basis
2 points.

3 At this time with the economy, he
4 hasn't give me word if, you know, we're
5 going to maintain those. I will know next
6 month.

7 You know, we're still making more
8 money than we're paying out definitely. I've
9 included a summary of -- you know, we still
10 monitor what Treasuries are doing. The
11 bills, the Treasury bills, if you will note, are
12 paying 10 basis points for 26-week and for
13 a 52-week it's 13 basis points. So we're
14 still earning well above what we can get on
15 those two things.

16 Of course, at the bottom there's a
17 chart for the US Treasury bonds. A 6-
18 month, of course, is paying 7 basis points.
19 Of course, you could go out for two years,
20 which the Board has stressed that, you know,
21 they want to maintain more of the short-term
22 due to the instability of the markets right
23 now and you can get 25 basis points and we
24 still don't feel like it's worth that to get tied

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1 up for the two years.

2 So, you know, we do monitor these
3 daily and if we do see a swing at any time,
4 you know, I would want to, you know, get in
5 touch with you all and let you know. You
6 know, we could pull the monies out and put
7 it here and earn more.

8 The bank has stressed, you know, if
9 we did need to pull out of the CD's or
10 whatever, they would not charge a penalty
11 for us to go ahead and be able to move that
12 to another vehicle.

13 MS. QUILLEN: I don't think we'll
14 want to go with the two-year.

15 MS. DAVIS: No, I don't think we
16 would either.

17 MS. QUILLEN: Because we need to
18 be able to have fluid cash.

19 MS. DAVIS: Right.

20 MS. QUILLEN: Because we're trying
21 to get this --

22 MS. DAVIS: Yes, and that's the
23 reason we do the laddering of investing
24 monthly so that we've always got something

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1 maturing every month and then plus we keep
2 the three million there in liquid cash. So
3 basically every month we have another
4 million coming due that I reinvest each
5 month.

6 So if a month come up and we
7 needed four million dollars, that wouldn't be
8 a problem or if I needed more, the bank
9 says, you know, they would let us redeem a
10 CD without facing a penalty.

11 MS. QUILLEN: I think the annual
12 yield is really good for the fact that we want
13 that available.

14 MS. DAVIS: Right. And plus with
15 the insurance of --

16 MS. QUILLEN: Exactly. Yeah.

17 MS. DAVIS: You know, that's what
18 we're looking at. So with your stipulations
19 of what you all are needing, you know, we
20 found that this was the best investments that
21 we could do at this time to earn you the
22 most but still meet all of the requirements
23 you put on us for the investments.

24 MS. QUILLEN: And it's still better

1 than anything else that's out there.

2 MS. DAVIS: Yes.

3 MS. QUILLEN: I feel more
4 comfortable --

5 MS. DAVIS: Yes.

6 MS. QUILLEN: -- with this.

7 MS. PIGEON: What's the pending
8 expiration of the FDIC coverage at this
9 point?

10 MS. DAVIS: That would be as of
11 December 31st; but with our CD's, we have
12 those laddered out so that we won't have
13 any issue with any of those; that they will
14 still remain insured.

15 MS. PIGEON: Due to the size?

16 MS. DAVIS: Yes, because we've
17 broken it down. You don't see this, but
18 behind the works it's broke down that it is
19 covered individually. So we are okay on the
20 insurance.

21 MS. PIGEON: But when it changes
22 or if it changes when it comes up for
23 potential change at the end of this month?

24 MS. DAVIS: Yes, unless -- we don't

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1 know what government is going to do, you
2 know, and our thoughts is, yeah, they're
3 going to let everything expire and then
4 hopefully the first quarter they'll reinstate
5 most things and backdate it back to cover us
6 until the first of the year.

7 MS. PIGEON: But regardless of
8 that?

9 MS. DAVIS: But regardless of that,
10 we're covered and we're okay.

11 MS. QUILLEN: That's good. Thank
12 you.

13 MR. LAMBERT: Is there any like,
14 Ms. Davis and Rick now can address this to
15 the Board and staff as well, when we're
16 looking at each individual account, when we
17 look on our agenda, I mean we can go to
18 the docket number and cross-reference it and
19 look it up here, but we don't have anything
20 in front of us looking at the unit name.

21 MR. RATLIFF: Is there any way we
22 could just have the report sorted by unit
23 rather than docket? Because if you look
24 Docket Number 615 on the report and go

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1 back and look at that well number, this
2 report says that's VC3225 and then that item
3 is Docket Number 27 on the agenda. That
4 Unit Number is AY120.

5 MR. COOPER: So what you're
6 asking can you sort this by well name in lieu
7 of Docket Numbers.

8 MR. RATLIFF: Docket Numbers.
9 The Docket Numbers are not corresponding
10 back. They're different in the two.

11 MR. LAMBERT: If you look at our
12 agenda and you look at the printout for each
13 account, the numbers don't match. Just for
14 information for the Board if we could have it
15 so when we look at one we know the Docket
16 Number and the Unit Number.

17 MR. COOPER: Well, they are in
18 sequence. They are in order, aren't they?

19 MR. RATLIFF: They're in order by
20 Docket Number.

21 MS. DAVIS: By Docket Number.

22 MR. RATLIFF: But if you look at
23 the Docket Number 615 on the report that
24 Ms. Davis handed out and look at Item

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1 Number 27 on the agenda, the units are
2 called different things.

3 MS. DAVIS: The Docket Number on
4 27 is 1296. It says Docket Number 1296,
5 not 615. 1296 is AY120. If you look at
6 your Docket Number in order there, but I
7 mean we could do something else, whatever
8 you all want.

9 MR. RATLIFF: I was using the
10 wrong number. I apologize.

11 MS. DAVIS: Okay.

12 MR. RATLIFF: What I was looking
13 for was AX99.

14 MR. COOPER: It's on page 14, the
15 middle of the page.

16 MS. DAVIS: It's Docket Number
17 1358. It's page 14 of 25. I mean we can
18 change it.

19 MR. LAMBERT: That's okay. We're
20 okay now

21 Any other questions for Ms. Davis?

22 [No response.]

23 MR. LAMBERT: Again as always,
24 thank you for coming by and updating us on

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1 the activities going on.

2 MS. DAVIS: Thank you. And I will
3 keep you all posted if anything comes
4 available. Thank you. Merry Christmas.

5 MR. LAMBERT: Am I correct, Mr.
6 Cooper and Ms. Davis, Diane, that for AX99,
7 Docket Number 1358, that the balance in
8 that escrow account is \$40,106.36?

9 MR. COOPER: You are correct.

10 MS. DAVIS: That's the beginning
11 balance. If you would go to the end of that,
12 to the ending market value, as of 11/30 it's
13 \$40,223.43.

14 MR. LAMBERT: Okay.

15 MS. DAVIS: For all parties in
16 escrow whoever that might be.

17 JANET RATLIFF: I can't understand
18 why they's only \$40,000. They've been
19 pumping and that well really pumps, because
20 like I said --

21 MR. LAMBERT: We're calling Docket
22 Item 4. It's a petition from EQT Production
23 Company, LLC for the disbursement of funds
24 from escrow and authorization of direct

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1 payment to Range Resources-Pine Mountain,
2 Inc. for Tract Number 4. This is Well
3 Number VC-504658, Docket Number VGOB-05-
4 0517-1453-01.

5 All parties who are going to testify
6 please come forward.

7 MR. KISER: Mr. Chairman, Board
8 Members, Jim Kiser and Rita Barrett on
9 behalf of EQT Production Company.

10 [The witness was sworn.]

11 MR. LAMBERT: Good morning. You
12 may proceed, Mr. Kiser.

13 MR. KISER: Good morning. I
14 haven't seen you all in a while.

15 MR. LAMBERT: It's been a while.

16 MR. KISER: I didn't realize there
17 had been any hearings. I thought I'd missed
18 something.

19 BY MR. KISER:

20 Q If you would state your name for the
21 record, who you're employed by and in what
22 capacity, please?

23 A My name is Rita McGlothin Barrett.
24 I'm employed by EQT Production Company as

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1 a contract land agent.

2 Q This is a disbursement petition?

3 A It is.

4 Q For well number or the drilling unit
5 for Well Number 504658?

6 A That's correct.

7 Q Have all parties been notified as
8 required by statute?

9 A Yes.

10 Q What tract are we disbursing from?

11 A This is Tract Number 4.

12 Q Is this a partial or a full
13 disbursement?

14 A This will be a full disbursement.

15 Q Have the figures been reconciled
16 between the bank and EQT?

17 A Yes.

18 Q Have you calculated the amount of
19 disbursement?

20 A Yes.

21 Q That disbursement, that amount is
22 calculated as of what date?

23 A As of September of 2012.

24 Q What percentage escrowed should be

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1 used for disbursement purposes?

2 A One hundred percent.

3 Q Who should receive the disbursements
4 at 100 percent?

5 A Range Resources-Pine Mountain.

6 Q Have you provided the Board with
7 exhibits E and EE to reflect the facts of this
8 disbursements?

9 A Yes.

10 Q Would you ask that the order include
11 directions for Range Resources to be paid
12 royalty directly going forward?

13 A Yes.

14 MR. KISER: Nothing further of this
15 witness at this time, Mr. Chairman.

16 MR. LAMBERT: Any questions from
17 the Board?

18 [No response.]

19 MR. LAMBERT: Anything further, Mr.
20 Kiser?

21 MR. KISER: We would ask that the
22 petition be approved as submitted.

23 MR. LAMBERT: Do we have a
24 motion?

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1 MS. QUILLEN: Motion to approve.

2 MR. PRATHER: Second.

3 MR. LAMBERT: I have a motion and
4 a second. Any further discussion?

5 [No response.]

6 MR. LAMBERT: All in favor signify
7 by saying yes.

8 BOARD MEMBERS: Yes.

9 MR. LAMBERT: Opposed no?

10 MR. RATLIFF: I'll abstain, Mr.
11 Chairman.

12 MR. LAMBERT: Two abstentions, Mr.
13 Ratliff and Mr. Lambert.

14 Thank you, folks. That's approved.

15 MS. BARRETT: Thank you.

16 MR. KISER: Thank you.

17 MR. LAMBERT: Calling Docket Item
18 Number 5, a petition from EQT Production
19 Company, LLC for the disbursement of funds
20 from escrow from Well VC-536768. This is
21 Tract 1. The VGOB Number is 05-1115-
22 1530-01. All parties who wish to testify
23 please come forward.

24 MR. KISER: Again, Mr. Chairman,

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1 Jim Kiser and Rita Barrett.

2 BY MR. KISER:

3 Q Ms. Barrett, is this another
4 disbursement petition?

5 A Yes, it is?

6 Q Have all parties been notified as
7 required by statute?

8 A They have.

9 Q What unit does this affect?

10 A This is VC-536768.

11 Q What tract?

12 A Tract Number 1.

13 Q Is this a partial or full
14 disbursement?

15 A This will be a partial.

16 Q And the reason for the
17 disbursement?

18 A There is an agreement between
19 Range Resources and Lambert Land wherein
20 Range Resources relinquishes its claim to
21 the coalbed methane royalty.

22 Q Okay. Has the EQT staff reconciled
23 these figures with the bank's figures?

24 A Yes.

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1 Q What percentage of escrow should
2 the board use for disbursement purposes?

3 A It looks like 94.435116 percent.

4 Q Who should receive the
5 disbursements?

6 A Lambert Land, LLC.

7 Q Have you provided the Board with
8 Exhibits E and EE to reflect the facts of this
9 disbursement?

10 A Yes.

11 Q Would you ask that the Board
12 include in the order instructions to pay the
13 royalty directly to the lessor going forward?

14 A Yes.

15 MR. KISER: Nothing further of this
16 witness at this time, Mr. Chairman.

17 MR. LAMBERT: Any questions from
18 the Board?

19 [No response.]

20 MR. LAMBERT: Anything further, Mr.
21 Kiser?

22 MR. KISER: I would ask that the
23 petition be approved as submitted, Mr.
24 Chairman.

1 MR. LAMBERT: Do I have a motion.

2 MS. QUILLEN: Motion to approve.

3 MR. PRATHER: Second.

4 MR. LAMBERT: I have a motion and
5 a second. Any further discussion?

6 [No response.]

7 MR. LAMBERT: All in favor signify
8 by saying yes.

9 BOARD MEMBERS: Yes.

10 MR. LAMBERT: Opposed no.

11 MR. RATLIFF: I'll abstain, Mr.
12 Chairman.

13 MR. LAMBERT: Two abstentions, Mr.
14 Ratliff and Mr. Lambert.

15 MR. LAMBERT: Calling Docket Item
16 Number 6, a petition from EQT Production
17 Company for disbursement of funds from Unit
18 VC-536772, Docket Number VGOB-05-1115-
19 1531-01.

20 All parties who wish to testify please
21 come forward.

22 MR. KISER: The same parties for
23 EQT, Mr. Chairman.

24 BY MR. KISER:

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1 Q Ms. Barrett is this still a
2 disbursement request?

3 A It is.

4 Q Have all parties been notified as
5 required by statute?

6 A Yes.

7 Q And what Unit does this impact?

8 A This is VC536772.

9 Q And what tract?

10 A Tract Number 3.

11 Q Is this a partial or a full
12 disbursement?

13 A This will be a partial.

14 Q The reason for the disbursement?

15 A There is a letter dated October 4th
16 of 2012 wherein Range Resources
17 relinquishes its claim to the CBM royalty.

18 Q Have the figures been reconciled by
19 the EQT staff with the bank's figures?

20 A Yes.

21 Q As of what date are the
22 disbursement figures?

23 A It looks like --

24 Q Through 11/9 of this year?

1 A November 9th, 2012.

2 Q Okay. What percentage should be
3 used for purposes of disbursement?

4 A 93.50146 percent.

5 Q Who should receive this
6 disbursement?

7 A Lambert Land.

8 Q Have you provided the Board with
9 Exhibits E and EE to reflect the facts of this
10 disbursement?

11 A Yes.

12 Q Would you ask the order direct EQT
13 to pay this royalty directly going forward to
14 the Lambert Land?

15 A Yes.

16 MR. KISER: Nothing further of this
17 witness, Mr. Chairman.

18 MR. LAMBERT: Any questions from
19 the Board?

20 [No response.]

21 MR. LAMBERT: Anything further, Mr.
22 Kiser?

23 MR. KISER: We'd ask that the
24 petition be approved as submitted, please.

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1 MR. LAMBERT: Do I have a motion?

2 MS. QUILLEN: Motion to approve.

3 MR. PRATHER: Second.

4 MR. LAMBERT: A motion and a
5 second. Any further discussion?

6 [No response.]

7 MR. LAMBERT: All in favor signify
8 by saying yes.

9 BOARD MEMBERS: Yes.

10 MR. LAMBERT: Opposed no.

11 MR. RATLIFF: I abstain.

12 MR. LAMBERT: Two abstentions,
13 Mr. Ratliff and Mr. Lambert.

14 MR. LAMBERT: I'm calling Docket
15 Number 7, a petition from EQT Production
16 Company, LLC for disbursement of funds from
17 Tract 9 for Well V-536778, Docket Number
18 VGOB-06-0815-1703-01.

19 All parties wishing to testify please
20 come forward.

21 MR. KISER: The same parties again
22 on behalf of EQT, Mr. Chairman.

23 BY MR. KISER:

24 Q Mr. Barrett, again we have a petition

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1 for disbursement?

2 A That's correct.

3 Q Have all parties been notified?

4 A Yes.

5 Q What Unit does this impact?

6 A This is conventional well unit V-
7 536778.

8 Q What tract?

9 A Tract Number 9.

10 Q Is this a partial or full
11 disbursement?

12 A This is a partial.

13 Q Reason for disbursement?

14 A We have an affidavit signed by a
15 Buddy Wallen. We initially had a Grace
16 Wallen on our exhibits. We received an
17 affidavit wherein he says that her only heir
18 at law was Tessie Wallen Bates and he
19 furnished us an address for her.

20 Q So she had previously been
21 identified as unknown?

22 A Yes.

23 Q Have the figures been reconciled
24 between your staff and the bank?

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1 A Yes.

2 Q As of what date are the
3 disbursement figures?

4 A As of it looks like November 9,
5 2012.

6 Q Okay. What percentage should the
7 Board use for disbursement purpose?

8 A 21.20819849 percent.

9 Q Who should receive this
10 disbursement?

11 A Tessie M. Bates.

12 Q Have you provided the Board with
13 Exhibits E EE to reflect the facts of the
14 disbursement?

15 A Yes.

16 Q Would you ask that the order require
17 EQT to pay Ms. Bates her royalty directly
18 going forward?

19 A Yes.

20 MR. KISER: Nothing further of this
21 witness at this time, Mr. Chairman.

22 MR. LAMBERT: Ms. Barrett, you
23 testified that you reconciled your numbers
24 with the bank in November? The exhibit we

1 have says October -- I'm sorry, August.

2 MS. BARRETT: The last date I have
3 is November 9, 2012, but that's the schedule
4 of deposits. So October is probably correct.

5 MR. KISER: August you mean?

6 MS. BARRETT: I mean August. But
7 the percentage is the same.

8 MR. LAMBERT: It would still be the
9 same?

10 MS. BARRETT: That would be
11 correct.

12 MR. LAMBERT: Any other questions
13 from the Board?

14 [No response.]

15 MR. LAMBERT: Do I have a motion?

16 MS. QUILLEN: Motion to approve.

17 MR. PRATHER: Second.

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

20 [No response.]

21 MR. LAMBERT: All in favor signify
22 by saying yes.

23 BOARD MEMBERS: Yes.

24 MR. LAMBERT: Opposed no.

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1 MR. RATLIFF: I abstain, Mr.
2 Chairman.

3 MR. LAMBERT: One abstention. Mr.
4 Ratliff.

5 MR. LAMBERT: Calling Docket Item
6 Number 8, a petition from EQT Production
7 Company for disbursement of funds from
8 escrow for parties in Tracts 2, 5 and 6 for
9 Well VC-536509, Docket Number VGOB-06-
10 1114-1759-01.

11 All parties who wish to testify please
12 come forward.

13 MR. KISER: The same folks again
14 on behalf of EQT. This is one of the G.W.
15 Cook ones.

16 MS. BARRETT: One of Diane's
17 favorites.

18 MR. KISER: That's why you've got
19 such a thick file there, the ones that keep
20 her up at night I think.

21 BY MR. KISER:

22 Q Ms. Barrett, again we have a petition
23 requesting a disbursement; correct?

24 A Yes, we do.

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1 Q Have all parties been notified?

2 A Yes.

3 Q What unit does this impact?

4 A This is VC-536509.

5 Q What tracts?

6 A Tracts 2, 5 and 6.

7 Q This is a partial disbursement?

8 A Yes.

9 Q Have your figures been reconciled
10 between the EQT staff and the bank's
11 figures?

12 A Yes. As of September 2012.

13 Q Okay. What percentage of escrow
14 should be used by the Board for
15 disbursement purposes? Would it be those
16 as represented in our scheduled AA or
17 Exhibit AA to the application?

18 A Yes.

19 Q Which is how many pages long?

20 A Three.

21 Q Those are the same folks we should
22 refer the Board to that exhibit to determine
23 who should receive those disbursements and
24 in what percentage?

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1 A That's correct.

2 Q Have you provided the Board with
3 Exhibits E and EE to reflect the facts of this
4 disbursement?

5 A Yes.

6 Q Would you ask that the order direct
7 EQT to pay these people that have royalty
8 directly going forward?

9 A Yes.

10 MR. KISER: Nothing further of this
11 witness at this time, Mr. Chairman.

12 MR. LAMBERT: Any questions from
13 the Board.

14 [No response.]

15 MR. LAMBERT: Anything further, Mr.
16 Kiser?

17 MR. KISER: I would ask that the
18 petition be approved as submitted.

19 MS. PIGEON: She didn't tell us
20 what this is based on the --

21 MS. BARRETT: It's based on
22 several letters. Diane has copies of them
23 and she's asked us not to provide her with
24 a big stack, but it is based on letters dated

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1 on different dates wherein Range Resources
2 has a split agreement wherein Ranch
3 Resources has 25 percent and the other
4 parties have 75 percent.

5 MR. LAMBERT: I think we got those
6 figures?

7 MS. PIGEON: I always want them
8 whether you do or not.

9 MR. KISER: So those disbursements
10 are based on 75/25 split?

11 THE WITNESS: That's correct.

12 MS. PIGEON: I wanted the record to
13 show that.

14 MR. KISER: I forgot to ask you
15 that.

16 MR. LAMBERT: Anything further?

17 [No response.]

18 MR. LAMBERT: Do I have a motion?

19 MS. QUILLEN: Motion to approve.

20 MR. PRATHER: Second.

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

23 [No response.]

24 MR. LAMBERT: All in favor signify

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1 by saying yes.

2 BOARD MEMBERS: Yes.

3 MR. LAMBERT: Opposed no.

4 MR. RATLIFF: I abstain, Mr.
5 Chairman.

6 MR. LAMBERT: One abstention, Mr.
7 Ratliff.

8 MR. LAMBERT: Calling Docket Item
9 Number 9, a petition from EQT Production
10 Company for disbursement of funds to Virgie
11 Dean Presley, Julia Jacquelyn Presley,
12 Donnie Lee Presley and Virgil and Kathleen
13 Presley from Tracts 2 and 3 for Well VC-
14 501843, Docket Number VGOB 06-1114-1763-
15 02.

16 All parties who wish to testify please
17 come forward.

18 MR. KISER: The same parties for
19 EQT, Mr. Chairman.

20 BY MR. KISER:

21 Q Ms. Barrett, is this again a
22 disbursement request?

23 A Yes, it is.

24 Q Have all parties been notified?

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1 A Yes, they have.

2 Q What unit does this impact?

3 A This is CBM Unit VC-501843.

4 Q Is this a partial disbursement?

5 A This is partial.

6 Q A n d t h e r e a s o n f o r t h e
7 disbursement?

8 A There are letters, various letters
9 from Range Resources wherein Range
10 Resources relinquishes its claim to the CBM
11 royalty.

12 Q Has the EQT staff reconciled the
13 figures with the bank?

14 A Yes. As of September 2012.

15 Q What percentage of escrow should be
16 used for disbursement purposes? Would it
17 be those as depicted in the next to the last
18 column on the right of the spreadsheet?

19 A That's correct.

20 Q Being either 1.4627 or 0.2047?

21 A That's correct.

22 Q Okay. Should the parties as listed
23 on that exhibit be the parties who receive
24 the disbursements?

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1 A That's correct.

2 Q Have you provided the Board with E
3 and EE to reflect the facts of this
4 disbursement?

5 A Yes.

6 Q Would you ask that the order require
7 EQT to pay royalties directly forward to
8 these applicants?

9 A Yes.

10 MR. KISER: Nothing further of this
11 witness.

12 MS. PIGEON: What tracts?

13 MS. BARRETT: It's Tract 2 and 3.

14 MS. PIGEON: Full or partial?

15 THE WITNESS: It's partial.

16 MR. LAMBERT: Anything further, Mr.
17 Kiser?

18 MR. KISER: No. We would ask that
19 the petition be approved as submitted.

20 MR. LAMBERT: Do I have a motion?

21 MS. QUILLEN: Motion to approve.

22 MR. PRATHER: Second.

23 MR. LAMBERT: I have a motion and
24 second. Any further discussion?

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1 [No response.]

2 MR. LAMBERT: All in favor signify
3 by saying yes?

4 THE BOARD: Yes.

5 MR. LAMBERT: Opposed no?

6 MR. RATLIFF: I'll abstain, Mr.
7 Chairman.

8 MR. LAMBERT: One abstention, Mr.
9 Ratliff.

10 - - - - -

11 MR. LAMBERT: Calling Docket Item
12 Number 10, a petition from EQT Production
13 Company for disbursement of funds for Well
14 V-537538 to Tessie M. Bates in Tract
15 Number 2. This was previously identified as
16 an unknown owner. This is Docket Number
17 VGOB-06-1114-1765-01.

18 All parties who wish to testify please
19 come forward.

20 MR. KISER: Jim Kiser, Rita Barrett
21 on behalf of EQT.

22 BY MR. KISER:

23 Q Ms. Barrett, is this again a petition
24 for disbursement?

1 A It is.

2 Q Have all parties been notified?

3 A Yes.

4 Q What unit does it impact?

5 A This is Conventional Well Unit V-
6 537538.

7 Q What tract does it impact.

8 A Tract Number 2.

9 Q Is this a partial or full
10 disbursement?

11 A This is a partial.

12 Q Reason for the disbursement?

13 A She was previously identified as an
14 unknown un-locatable and we have an
15 affidavit signed by a Mr. Buddy Wallen
16 wherein he affirms that she is, in fact, heir
17 of Gracie Wallen and he provided us with
18 her address.

19 Q Okay. Have the figures been
20 reconciled between the EQT staff and the
21 bank?

22 A Yes. As of August 2012.

23 Q What percentage of escrow should be
24 used by the Board for disbursement

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1 purposes?

2 A 13.18002604 percent.

3 Q Who should receive that
4 disbursement?

5 A Tessie M. Bates.

6 Q Have you provided the Board with
7 Exhibits E and EE to reflect the facts of this
8 disbursement?

9 A Yes.

10 Q Should the order reflect that EQT
11 should pay Ms. Bates her royalty directly
12 going forward?

13 A Yes.

14 MR. KISER: Nothing further of this
15 witness at this time, Mr. Chairman.

16 MR. LAMBERT: Any questions from
17 the Board?

18 [No response.]

19 MR. LAMBERT: Anything further, Mr.
20 Kiser?

21 MR. KISER: We would ask that the
22 petition be approved as submitted.

23 MR. LAMBERT: Do I have a motion?

24 MS. QUILLEN: Motion to approve.

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1 MR. PRATHER: Second.

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

4 [No response.]

5 MR. LAMBERT: All in favor signify
6 by saying yes.

7 BOARD MEMBERS: Yes.

8 MR. LAMBERT: Opposed no.

9 MR. RATLIFF: I abstain, Mr.
10 Chairman.

11 MR. LAMBERT: One abstention, Mr.
12 Ratliff.

13 MR. LAMBERT: Calling Docket Item
14 Number 11, a petition from EQT Production
15 Company, LLC for disbursement of funds and
16 authorization of direct payment to Range
17 Resources-Pine Mountain, Inc. in Tract 2 of
18 Well 536086, Docket Number VGOB-06-1219-
19 1838-01.

20 All parties wishing to testify please
21 come forward.

22 MR. KISER: The same parties again
23 for EQT, Mr. Chairman.

24 BY MR. KISER:

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1 Q Ms. Barrett, is this another petition
2 requesting disbursement?

3 A It is.

4 Q Have all parties been notified?

5 A They have.

6 Q What Unit does this one impact?

7 A This is Well Unit VC536086.

8 Q Is this a partial or full
9 disbursement?

10 A This is a partial.

11 Q Reason for disbursement?

12 A We have a letter dated October 5,
13 2012 from Lambert Land to Range Resources
14 wherein Lambert Land, LLC relinquishes its
15 claim to the coalbed methane royalty.

16 Q Have the figures been reconciled
17 between the EQT staff and the bank?

18 A They have as of September 2012.

19 Q What percentage escrowed should be
20 used by the Board for disbursement
21 purposes?

22 A 3.156146 percent for Tract 2.

23 Q Who should receive that
24 disbursement?

1 A Range Resources/Pine Mountain.

2 Q Have you provided the Board with
3 Exhibits E and EE to reflect the facts of this
4 disbursement?

5 A We have.

6 Q Would you ask that the order provide
7 that Range be paid that Royalty directly
8 going forward?

9 A Yes.

10 MR. KISER: Nothing further of this
11 witness at this time, Mr. Chairman.

12 MR. LAMBERT: Any questions from
13 the Board?

14 [No response.]

15 MR. LAMBERT: Anything further?

16 MR. KISER: We'd ask that the
17 application be approved as submitted.

18 MR. LAMBERT: Do I have a motion?

19 MS. QUILLEN: Motion to approve.

20 MR. PRATHER: Second.

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

23 [No response.]

24 MR. LAMBERT: All in favor

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1 signifying by saying yes.

2 BOARD MEMBERS: Yes.

3 MR. LAMBERT: Opposed no.

4 MR. RATLIFF: I abstain, Mr.
5 Chairman.

6 MR. LAMBERT: One abstention, Mr.
7 Ratliff.

8 - - - - -

9 MR. LAMBERT: Calling Item Number
10 12, a petition from EQT Production Company
11 for disbursement of funds from Unit 501842
12 for a portion of Tracts 1, 2, 3 and 4, Docket
13 Number VGOB-07-0417-1919-02.

14 All parties who wish to testify please
15 come forward.

16 MR. KISER: The same parties on
17 behalf of EQT Production, Mr. Chairman.

18 MR. LAMBERT: You may proceed,
19 Mr. Kiser.

20 BY MR. KISER:

21 Q Ms. Barrett, again this is a petition
22 requesting a disbursement?

23 A That's correct.

24 Q Have all parties been notified?

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1 A Yes.

2 Q What unit does this one impact?

3 A This is CBM Unit VC501842.

4 Q In what tract?

5 A Tracts 1, 2, 3 and 4.

6 Q The reason for this disbursement?

7 A We have various letters from Range
8 Resources to the disbursing parties wherein
9 Range Resources relinquishes its claim to
10 the CBM royalty.

11 Q Have the figures been reconciled
12 between the bank and EQT staff?

13 A They have as of August 2012.

14 Q And the percentage escrowed that
15 should be used by the Board for
16 disbursement purposes are those that are
17 laid out for the various parties in the next
18 to the last column on the right on the
19 spreadsheet?

20 A That's correct.

21 Q And those are also the folks who
22 should receive the disbursement?

23 A That's correct.

24 Q Have you provided the Board with

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1 Exhibits E and EE to reflect the facts of this
2 disbursement?

3 A Yes.

4 Q Would you ask that the order contain
5 language directing EQT to pay these people
6 their royalty directly going forward?

7 A Yes.

8 MR. KISER: Nothing further of this
9 witness at this time, Mr. Chairman.

10 MR. LAMBERT: Any questions from
11 the Board?

12 [No response.]

13 MR. LAMBERT: Anything further, Mr.
14 Kiser?

15 MR. KISER: We'd ask that the
16 application be approved as submitted?

17 MR. LAMBERT: Do I have a motion?

18 MS. QUILLEN: Motion to approve.

19 MR. PRATHER: Second.

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

22 [No response.]

23 MR. LAMBERT: All in favor signify
24 by saying yes.

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BOARD MEMBERS: Yes.

MR. LAMBERT: Oppose no.

MR. RATLIFF: I abstain, Mr. Chairman.

MR. LAMBERT: One abstention, Mr. Ratliff.

- - - - -

MR. LAMBERT: I'm calling Docket Item Number 13, a petition from EQT Production Company, LLC for disbursement of funds from Tracts 2 and 3, Virgie Dean Presley, Julie Jacquelyn Presley, Donnie Lee Presley, Virgil Jack and Kathleen Presley for Well VC-537102, Docket Number VGOB-07-0515-1933-02.

All parties wishing to testify please come forward.

MR. KISER: The same parties for EQT.

MR. LAMBERT: You may proceed, Mr. Kiser.

BY MR. KISER:

Q Ms. Barrett, again is this a disbursement request?

1 A It is.

2 Q Have all parties been notified?

3 A Yes.

4 Q What unit does it impact?

5 A This is CBM Unit VC537102.

6 Q And what tracts?

7 A Tracts 2 and 3.

8 Q And this is a partial disbursement?

9 A It is.

10 Q The reason for the disbursement?

11 A We have various letters from Range
12 Resources to the parties wherein Range
13 Resources relinquishes its claim to the CBM
14 royalty.

15 Q Have the figures been reconciled
16 between EQT staff and the bank's figures?

17 A Yes, as of September 2012.

18 Q The percentage the Board should use
19 for disbursement purposes is depicted in the
20 next to the last column to the right on the
21 spreadsheet for all these people?

22 A That's correct.

23 Q They are the people who should
24 receive the disbursements?

1 A That's correct.

2 Q Have you provided the Board with
3 Exhibits E and EE to reflect the facts of this
4 disbursement?

5 A Yes.

6 Q Should the order contain language
7 directing EQT to pay all these people their
8 royalty directly going forward?

9 A Yes.

10 MR. KISER: Nothing further of this
11 witness at this time, Mr. Chairman.

12 MR. LAMBERT: Any questions from
13 the Board?

14 [No response.]

15 MR. LAMBERT: Anything further, Mr.
16 Kiser?

17 MR. KISER: We'd ask the
18 application be approved as submitted.

19 MR. LAMBERT: Do I have a motion?

20 MS. QUILLEN: Motion to approve.

21 MR. PRATHER: Second.

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

24 [No response.]

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1 MR. LAMBERT: All in favor signify
2 by saying yes.

3 BOARD MEMBERS: Yes.

4 MR. RATLIFF: I abstain, Mr.
5 Chairman.

6 MR. LAMBERT: One abstention, Mr.
7 Ratliff.

8 - - - - -

9 MR. LAMBERT: I'm calling Item
10 Number 14, a petition from EQT Production
11 Company, LLC for disbursement of funds on
12 behalf of Virgie Presley, Virgil and Kathleen
13 Presley, Donnie Presley and Julia Jacquelyn
14 Presley for Tracts 5, 7 and 8 for Unit
15 536589, Docket Number VGOB-07-0515-1935-
16 02.

17 All parties who intend to testify
18 please come forward.

19 MR. KISER: Jim Kiser, Rita Barrett.

20 MR. LAMBERT: You may proceed,
21 Mr. Kiser.

22 BY MR. KISER:

23 Q Ms. Barrett, again this is a petition
24 requesting a disbursement?

1 A That's correct.

2 Q Have all parties been notified of it?

3 A Yes.

4 Q What unit does this impact?

5 A This is CBM Unit VC536589.

6 it impact?

7 Q What tracts?

8 A Tracts 5, 7 and 8.

9 Q This is a partial disbursement?

10 A It is.

11 Q The reason for this disbursement?

12 A Again we have letters from Range
13 Resources to the disbursing parties wherein
14 Range permanently releases its claim to the
15 CBM royalty.

16 Q Have the escrow figures been
17 reconciled between the EQT staff and the
18 bank?

19 A Yes, as of September 2012.

20 Q For disbursement purposes the Board
21 should use the figures in the next to the
22 last column on the right of the spreadsheet?

23 A Yes.

24 Q That's also the folks that the

1 disbursement should be paid to?

2 A Correct.

3 Q Have you provided the Board with
4 Exhibits E and EE to reflect the facts of this
5 disbursement?

6 A Yes.

7 Q Would you ask that the order provide
8 language that EQT pay these people their
9 royalty directly going forward?

10 A Yes.

11 MR. KISER: Nothing further of this
12 witness, Mr. Chairman.

13 MR. LAMBERT: Any questions from
14 the Board?

15 [No response.]

16 MR. LAMBERT: Anything further, Mr.
17 Kiser?

18 MR. KISER: We'd ask that the
19 petition be approved as submitted.

20 MR. LAMBERT: Do I have a motion?

21 MS. QUILLEN: Motion to approve.

22 MR. PRATHER: Second.

23 MR. LAMBERT: I have a motion and
24 a second. Any further discussion?

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1 [No response.]

2 MR. LAMBERT: All in favor signify
3 by saying yes.

4 BOARD MEMBERS: Yes.

5 MR. LAMBERT: Opposed no.

6 [No response.]

7 MR. LAMBERT: Thank you, Mr.
8 Kiser.

9 MR. KISER: Thank you.

10 MS. BARRETT: Thank you.

11 - - - - -

12 MR. LAMBERT: I'm calling Docket
13 Item Number 15, a petition from EQT
14 Production Company, LLC for disbursement of
15 funds and authorization of direct payment to
16 Virgie Presley, Julia Presley, Donnie Presley,
17 Virgil and Kathleen Presley in a portion of
18 Tracts 1, 3, 4, 5, 6, 7, 8 and 10 for Well
19 VC-537111, Docket Number VGOB-07-0619-
20 1953-02.

21 All parties who wish to testify please
22 come forward.

23 MR. KISER: Jim Kiser, Rita Barrett.

24 MR. LAMBERT: You may proceed,

1 Mr. Kiser.

2 BY MR. KISER:

3 Q Ms. Barrett, again we have a petition
4 requesting a disbursement?

5 A That's correct.

6 Q Have all parties been notified?

7 A Yes.

8 Q What unit does that impact?

9 A This is Unit VC537111.

10 Q It impacts tracts 1, 3, 4, 5, 6, 7, 8,
11 10; is that correct?

12 A That's correct.

13 Q It's a partial disbursement?

14 A It is.

15 Q Reason for this disbursement?

16 A Again we have various letters dated
17 various dates from Range Resources to the
18 disbursing parties wherein Range relinquishes
19 it's claim to CBM royalty.

20 Q The escrow figures have been
21 reconciled between the EQT numbers and the
22 bank numbers?

23 A Yes, as of September 2012.

24 Q The Board should use the percentage

1 escrowed for disbursement purposes that is
2 reflected in the next to the last column to
3 the right on the spreadsheet?

4 A That's correct.

5 Q Those individuals listed with those
6 percentages escrowed should be the folks
7 getting the disbursement?

8 A That's correct.

9 Q Have you provided the Board with
10 Exhibits E and EE to reflect this
11 disbursement?

12 A Yes.

13 Q Would you ask that the order provide
14 language directing EQT to pay this royalty
15 directly going forward?

16 A Yes.

17 MR. KISER: Nothing further of this
18 witness at this time, Mr. Chairman.

19 MR. LAMBERT: Any questions from
20 the Board?

21 [No response.]

22 MR. LAMBERT: Anything further, Mr.
23 Kiser?

24 MR. KISER: We'd ask that the

1 petition be approved as submitted.

2 MR. LAMBERT: Do I have a motion?

3 MS. QUILLEN: Motion to approve.

4 MR. PRATHER: Second.

5 MR. COOPER: Would you care to
6 repeat those tracts to make sure we've got
7 those?

8 MS. BARRETT: Yes, it's Tracts 1,
9 3, 4, 5, 6, 7, 8 and 10.

10 MR. COOPER: Thank you.

11 MR. LAMBERT: Any further
12 discussion?

13 [No response.]

14 MR. LAMBERT: All in favor signify
15 by saying yes.

16 BOARD MEMBERS: Yes.

17 MR. LAMBERT: Opposed no.

18 MR. RATLIFF: I abstain, Mr.
19 Chairman.

20 MR. LAMBERT: One abstention, Mr.
21 Ratliff. Thank you folks. Approved.

22 - - - - -

23 MR. LAMBERT: Calling Docket Item
24 16, a petition from EQT Production Company,

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1 LLC for disbursement of funds from Tract 4
2 to Range Resources-Pine Mountain, Inc. for
3 Well VC-539939, Docket Number VGOB-08-
4 0819-2311-01.

5 All parties who wish to testify please
6 come forward.

7 MR. KISER: Jim Kiser, Rita Barrett.

8 BY MR. KISER:

9 Q Ms. Barrett, again this is a petition
10 requesting a disbursement?

11 A That's correct.

12 Q Have all parties been notified?

13 A Yes.

14 Q What unit does this impact?

15 A This is Unit VC539939.

16 Q What tract?

17 A Tract Number 4.

18 Q Is it a partial or full disbursement?

19 A This is a full disbursement.

20 Q Okay. And the reason for the
21 disbursement?

22 A The coal owner, Lambert Land, LLC
23 by letter dated October 29, 2012 relinquished
24 its claim to the CBM royalty to Range

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1 Resources.

2 Q Have the figures been reconciled
3 between EQT and the bank?

4 A They have. I don't have a date
5 though. It looks like there's a pending
6 disbursement.

7 Q I've got a date of 9/12 on my
8 reconciliation.

9 A Yes, that's correct. It's 9/12/2012.

10 Q The percentage escrowed the Board
11 should use for disbursement purposes would
12 be 100 percent?

13 A That's correct.

14 Q Who should receive that
15 disbursement?

16 A Range Resources-Pine Mountain.

17 Q Have you provided the Board with
18 Exhibits E and EE to reflect the facts of this
19 disbursement?

20 A We have.

21 Q Would you ask that the order provide
22 language directing EQT to pay the royalty for
23 that interest directly going forward?

24 A Yes.

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MR. KISER: Thank you. Nothing further of this witness, Mr. Chairman.

MR. LAMBERT: Any questions from the Board?

[No response.]

MR. LAMBERT: Anything further, Mr. Kiser?

MR. KISER: We would ask that the petition be approved as submitted.

MR. LAMBERT: Do I have a motion?

MS. QUILLEN: Motion to approve.

MR. PRATHER: Second.

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

[No response.]

MR. LAMBERT: All in favor signify by saying yes.

BOARD MEMBERS: Yes.

MR. RATLIFF: I abstain.

MR. LAMBERT: Two abstentions, Mr. Ratliff and Mr. Lambert.

Thank you folks. That's approved.

MS. BARRETT: Thank you.

- - - - -

1 MR. LAMBERT: Calling Docket Item
2 Number 17, a petition from EQT Production
3 Company for the disbursement of funds from
4 Tracts 1 and 2 and authorization of direct
5 payment of royalties for Unit 537108. This
6 is Docket Number VGOB-09-0421-2515-02.

7 All parties wishing to testify please
8 come forward.

9 MR. KISER: Jim Kiser, Rita Barrett
10 on behalf of EQT.

11 BY MR. KISER:

12 Q Ms. Barrett, again we have a petition
13 requesting a disbursement?

14 A We do.

15 Q Have all parties been notified?

16 A Yes.

17 Q What unit does this impact?

18 A This is Unit VC537108, Tracts 1 and
19 2.

20 Q Is it a partial or full disbursement?

21 A It's a partial.

22 Q The reason for disbursement?

23 A Again we have letters dated various
24 dates from Range Resources to the

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1 disbursing parties wherein Range relinquishes
2 its claim to the Coalbed Methane royalty.

3 Q Have the figures been reconciled
4 between EQT staff and the bank?

5 A They have but I don't have a date.

6 Q Let's see. I've got 11/9/2012.

7 A It looks like, yes, November 9, 2012.

8 Q Okay. The percentage that the
9 Board should use for purposes of
10 disbursement should be the percentage of
11 escrowed funds as is depicted in the next to
12 the last column on the right on the
13 spreadsheet?

14 A That's correct.

15 Q The individuals listed on the
16 spreadsheet should be the people receiving
17 those disbursements?

18 A That's correct.

19 Q Have you provided the Board with
20 Exhibits E and EE to reflect the facts of this
21 disbursement?

22 A Yes.

23 Q Would you ask that the order contain
24 language directing EQT to pay this royalty

1 directly going forward?

2 A Yes.

3 MR. KISER: Nothing further of this
4 witness, Mr. Chairman.

5 MR. LAMBERT: Any questions from
6 the Board?

7 MS. QUILLEN: Just one question.
8 That was Tracts 1 and 2; correct?

9 MS. BARRETT: Yes. Tracts 1 and
10 2.

11 MS. QUILLEN: Thank you.

12 THE WITNESS: You're welcome.

13 MR. LAMBERT: Any other questions
14 from the Board?

15 [No response.]

16 MR. LAMBERT: Anything further, Mr.
17 Kiser?

18 MR. KISER: We'd ask that the
19 petition be approved as submitted, Mr.
20 Chairman.

21 MR. LAMBERT: Do I have a motion.

22 MS. QUILLEN: Motion to approve.

23 MR. PRATHER: Second.

24 MR. LAMBERT: I have a motion and

1 a second. Any further discussions?

2 MR. COOPER: I have a question,
3 too, Mr. Chairman. I'd like to ask Mr. Kiser
4 and Ms. Barrett, has W-9's been submitted to
5 our escrow agent for all the items brought
6 forth today?

7 MS. BARRETT: Yes. I received
8 copies of the e-mails that went to the
9 escrow agent and I also have a copy of an
10 e-mail from EQT Pittsburgh headquarters
11 saying that all W-9's for all December docket
12 items have been furnished to the escrow
13 agent.

14 MR. COOPER: Thank you very
15 much.

16 MS. BARRETT: You're welcome.

17 MS. PIGEON: What is the due date
18 on the reconciliation?

19 MS. BARRETT: I'm sorry.

20 MS. PIGEON: On the reconciliation
21 date 11/12.

22 MS. BARRETT: 11/9/2012.

23 MR. LAMBERT: I have a motion to
24 approve. Do I have a second or did I get a

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1 second?

2 MR. PRATHER: Yes. I thought I
3 seconded it.

4 MR. LAMBERT: All in favor signify
5 by saying yes.

6 BOARD MEMBERS: Yes.

7 MR. LAMBERT: Opposed no.

8 MR. RATLIFF: I abstain.

9 MR. LAMBERT: One abstention, Mr.
10 Ratliff.

11 MR. KISER: Thank you.

12 MS. PIGEON: Thank you for the
13 larger print exhibits.

14 MS. BARRETT: I noticed there was
15 one that was pretty small.

16 MS. PIGEON: Well, there was one,
17 maybe two.

18 MS. BARRETT: I apologize for that.
19 I've tried to get them to landscape these
20 things and increase the font a little bit.

21 MS. PIGEON: They have all this
22 blank space underneath.

23 MS. BARRETT: Yes, ma'am.

24 - - - - -

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1 MR. LAMBERT: Folks, we're going
2 to take about a 10-minute recess.

3 [Recess at 10:35.]

4 MR. LAMBERT: At this time I'm
5 calling Docket Item 18, a petition from CNX
6 Gas Company, LLC for disbursement of funds
7 from escrow for Tract 2 for Unit U-13,
8 Docket Number VGOB-92-1117-0285-01.

9 All parties wishing to testify please
10 come forward.

11 MR. SWARTZ: Mark Swartz and
12 Anita Duty.

13 [The witness was sworn.]

14 MR. LAMBERT: You can have a
15 seat, Mr. Swartz.

16 BY MR. SWARTZ:

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

19 A Anita Duty.

20 Q Who do you work for?

21 A CNX Land Resources.

22 Q Did you participate in the
23 preparation of this petition?

24 A I did.

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1 Q What are we here about today?

2 A To pay out of escrow due to a
3 royalty agreement.

4 Q So we have a request for a
5 distribution from escrow with regard to Unit
6 U-13; correct?

7 A Yes.

8 Q And the payment would be pertaining
9 to Tract 2?

10 A Yes.

11 Q Is this a partial disbursement from
12 escrow and will the account need to be
13 maintained after the disbursements are
14 made?

15 A It will.

16 Q The reason -- I think you indicated
17 that there was an agreement?

18 A There is.

19 Q In this case we've got Harrison
20 Wyatt, LLC. So we have a 50/50 CBM deed;
21 right?

22 A This is an older one. So actually
23 this one isn't.

24 Q Oh, okay.

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1 A Let me make sure.

2 Q I think your application says it is.

3 A It is.

4 Q So it's a deed?

5 A It is.

6 Q Have you actually seen the deed?

7 A Yes.

8 Q Have you prepared an account
9 reconciliation?

10 A We have.

11 Q Is that Exhibit A-1?

12 A It is.

13 Q To do that did you compare the
14 operator's payment records with the escrow
15 agent's deposit records?

16 A We did.

17 Q When you did that, were they in
18 agreement?

19 A They were.

20 Q You did this escrow calculation as of
21 a date?

22 A This one is actually June 30, 2012.

23 Q And this account, the royalties that
24 use to be paid for production that use to be

1 paid in this account I think are now going to
2 VP8COW, Unit 3; is that correct?

3 A Yes.

4 Q What is the acreage at issue that
5 have been escrowed?

6 A This particular tract is 22.22 acres.

7 Q Okay. The total acres in escrow are
8 34.75?

9 A Yes.

10 Q So that would definitely indicate
11 we've got a partial here?

12 A It would.

13 Q Who are the people that are to
14 receive the disbursements and what
15 percentages should the escrow agent use
16 when making the disbursements?

17 A Harrison Wyatt, LLC and Garden
18 Realty Corporation should each receive
19 31.9712 percent of the escrow account.

20 Q Do you have W-9's for them?

21 A We submitted all the W-9's prior to
22 the hearing today.

23 Q So they're in hand?

24 A Yes.

1 Q When the escrow agent makes the
2 disbursement to these folks, they should use
3 the percentage and apply the percentage you
4 just provided to the balance on deposit at
5 the time the escrow disbursement is made?

6 A Yes.

7 Q And also are you asking the Board
8 to allow you as operator to pay these people
9 directly?

10 A We're paying all this out of the
11 account.

12 Q So that will terminate their monies
13 out of Harrison Wyatt and Garden Realty
14 coming out of this escrow?

15 A Yes.

16 MR. SWARTZ: That's all I have.

17 MR. LAMBERT: Any questions from
18 the Board?

19 [No response.]

20 MR. LAMBERT: Anything further, Mr.
21 Swartz?

22 MR. SWARTZ: No.

23 MR. LAMBERT: Do I have a motion?

24 MS. QUILLEN: Motion to approve.

1 MR. PRATHER: Second.

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

4 [No response.]

5 MR. LAMBERT: All in favor signify
6 by saying yes.

7 BOARD MEMBERS: Yes.

8 MR. LAMBERT: Opposed no.

9 [No response.]

10 MR. LAMBERT: Thank you, folks.
11 That's approved.

12 MR. LAMBERT: Calling Item Number
13 19, a petition from CNX Gas Company, LLC
14 for disbursement from escrow regarding Tract
15 2, from Unit V-15, Docket Number VGOB-95-
16 0919-0518-01.

17 All parties wishing to testify please
18 come forward.

19 MR. SWARTZ: Mark Swartz and
20 Anita Duty.

21 MR. LAMBERT: You may proceed,
22 Mr. Swartz.

23 MR. SWARTZ: Thank you.

24 BY MR. SWARTZ:

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1 Q Anita, state your name for us
2 please?

3 A Anita Duty.

4 Q Were you the person sort of
5 shepherding this petition for disbursements
6 and are familiar with it?

7 A Yes.

8 Q It's a request for a partial
9 disbursement; correct?

10 A It is.

11 Q Pertaining to Tract 2 of Unit V-15?

12 A Yes.

13 Q Currently the royalties associated
14 with production that used to go into this
15 account are now being escrowed in VPISGU3
16 just like the prior?

17 A It is for being paid under that.

18 Q Okay. Here we have the reason for
19 the disbursement request is what?

20 A 50/50.

21 Q Again involving Harrison Wyatt, LLC;
22 correct?

23 A It is.

24 Q Did you do or did you attempt to do

1 a reconciliation of the operator's records
2 with the escrow agent's records?

3 A Yes. It was as of July 31, 2012.

4 Q To do that you compared your
5 payment of records to the deposit records of
6 the escrow agent; correct?

7 A Yes.

8 Q When you did that did you find that
9 they were in agreement or not?

10 A There was a slight difference.

11 Q Were you able to reconcile that?

12 A Yes.

13 Q At present the disbursement that you
14 were requesting would go to whom and what
15 percentages should the escrow agent use?

16 A Harrison Wyatt, LLC and CNX Gas
17 Company, LLC should each receive 40
18 percent of the escrow account.

19 Q As we indicated there's still going to
20 be a bit of a balance in this account;
21 correct?

22 A There will.

23 Q So it needs to be maintained?

24 A Yes.

1 Q Okay. When the escrow agent
2 makes a disbursement, should the agent
3 apply the percentage you've just stated to
4 the balance on hand at the time the
5 disbursement is made?

6 A Yes.

7 MR. SWARTZ: I think that's all I
8 have.

9 MR. LAMBERT: You testified -- at
10 first you didn't give us a date that you
11 reconciled, but the exhibit has 7/31/12. You
12 testified there was a slight difference.
13 Would you tell us what that difference was
14 and what you did to reconcile?

15 MS. DUTY: It was \$82.41.

16 MR. LAMBERT: That was the
17 difference?

18 MS. DUTY: In what we were
19 showing that we deposited versus what the
20 bank was showing. It looks like -- when we
21 originally looked at it, it looked like there
22 were two months deposit added together.
23 When we divided them up, there were only --
24 he was only off by pennies. So I mean --

1 MR. LAMBERT: So how did you
2 reconcile.

3 MS. DUTY: We just compared
4 deposits. I didn't completely reconcile the
5 entire account. He was off by pennies in
6 overage.

7 MR. LAMBERT: Which way? You
8 overpaid in the account over what the bank
9 was saying?

10 MS. DUTY: What the bank reflected,
11 right, it was over.

12 MR. LAMBERT: Okay. Fine. Thank
13 you.

14 Any other questions from the Board?

15 MS. PIGEON: You all had leased
16 from Jesse Childress' heirs. Is that right?

17 MS. DUTY: We purchased their
18 interest.

19 MR. LAMBERT: Any other questions
20 from the Board?

21 [No response.]

22 MR. LAMBERT: Anything further, Mr.
23 Swartz?

24 MR. SWARTZ: No.

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MR. LAMBERT: Do I have a motion?

MS. QUILLEN: Motion to approve.

MR. PRATHER: Second.

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

[No response.]

MR. LAMBERT: All in favor signify by saying yes.

BOARD MEMBERS: Yes.

MR. LAMBERT: Opposed no.

[No response.]

MR. LAMBERT: Thank you. That's approved.

- - - - -

MR. LAMBERT: Calling Docket Item Number 20, a petition from CNX Gas Company, LLC for disbursement of funds from escrow regarding Tract 4 for Torch Oil and Gas, Roscoe Deskings, Jr. and Calvin Deskings for Unit U-27, Docket Number VGOB-97-0218-0563-04.

All parties wishing to testify please come forward.

MR. SWARTZ: Mark Swartz and

1 Anita Duty.

2 MR. LAMBERT: You may proceed,
3 Mr. Swartz.

4 MR. SWARTZ: Thank you.

5 BY MR. SWARTZ:

6 Q Anita, state your name for us
7 please?

8 A Anita Duty.

9 Q Who do you work for?

10 A CNX Land Resources.

11 Q Did you either prepare or supervise
12 the preparation of this miscellaneous
13 petition?

14 A Yes.

15 Q The reason we're here today is to
16 ask the Board to direct the escrow agent to
17 make a disbursement from the escrow
18 account pertaining to U-27 and pertaining to
19 Tract 4; is that correct?

20 A Yes.

21 Q And after the disbursement is made,
22 if it is made, there will still be a need to
23 maintain this escrow account because it's a
24 partial disbursement?

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1 A Yes.

2 Q Did you make an attempt to
3 reconcile the bank's deposit records with the
4 operator's payment records?

5 A Yes.

6 Q And you did that as of what date?

7 A August 31, 2012.

8 Q When you did that, what did you
9 find?

10 A We're showing a difference of
11 negative \$9.02.

12 Q Were you able to resolve that?

13 A No.

14 Q How do you account for that? Is it
15 costs that were deducted?

16 A This was an account where there
17 was an overpayment on the original
18 disbursement and there were several
19 companies that was asked to write a check
20 to redeposit back into the account. So I'm
21 assuming there was a calculation error in
22 that. That's all we could determine. I mean
23 that's what our note says. Maybe the refund
24 had a -- there was an error.

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1 MR. LAMBERT: At the time of, if we
2 get there, at the time of closeout and we're
3 off by \$9, the company would have to put in
4 \$9 to the account? Is that what we're
5 saying?

6 MR. SWARTZ: It sounds like it.

7 MS. DAVIS: They will need to
8 deposit --

9 MR. LAMBERT: Well, what she
10 testified to is that they're off by \$9.

11 MS. DUTY: I mean what we're
12 saying we paid and what is actually there is
13 off by \$9.02. But this was the account that
14 had overpayments and there were letters
15 written by the Division of Gas and Oil to ask
16 the owners that were paid incorrectly to
17 write a check to put the money back in.

18 We didn't do those calculations to
19 tell them what money needed to be put back
20 in.

21 MR. HARRIS: When you're saying
22 off, I mean in --

23 MS. DUTY: Negative from what we
24 say.

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1 MS. PIGEON: Nine dollars less than
2 what they say --

3 MS. QUILLEN: So somebody did
4 return some of that overpayment. Is that
5 what you're saying?

6 BY MR. SWARTZ:

7 Q Were you able to find the deposits
8 the operator -- the payments the operator
9 made as deposits into this account?

10 A Yes.

11 Q Okay. The reason there is less
12 money in the account than you think there
13 should be is because of the over-
14 disbursement. I mean is that what you're
15 talking about?

16 A That's right.

17 Q Okay. I mean you were able to find
18 the checks you wrote to the escrow agent all
19 found their way into the account?

20 A Exactly.

21 Q Which I think was a disconnect here.
22 So were you able from your records, and I'm
23 not sure you have those records, but were
24 you able to tell who didn't repay the money

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1 or was it or are you sure it was a
2 calculation error? Do you know which
3 occurred to account for the \$9?

4 A I don't know without looking at the
5 backup -- I mean the note that we have is
6 the DGO refund amount was incorrect.

7 Q Less than it should have been by
8 \$9?

9 A Right.

10 MR. LAMBERT: So when we get
11 ready to close out the account there's going
12 to be a \$9 difference between your numbers
13 and the bank's numbers?

14 MS. DUTY: Right.

15 MS. QUILLEN: How will that \$9 be
16 taken care of?

17 MR. SWARTZ: It's not between our
18 numbers and the bank numbers. Our
19 numbers are in agreement with the bank.
20 They got all of the money we put in. They
21 paid out more than they should have.

22 MS. PIGEON: Is this just one of
23 those situations where there was some
24 confusion in the testimony?

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1 MR. SWARTZ: I don't know. It
2 sounds like there were some calculating
3 going on and I didn't do that. I don't know
4 what happened, but there's a \$9 difference
5 and that's the explanation. That more money
6 came out than should have and some people
7 apparently put most, if not all of what they
8 owed, and somebody didn't or there was a
9 calculation error and I don't know which.

10 MS. QUILLEN: So when the account
11 is closed out, how are you going to address
12 that \$9?

13 MR. SWARTZ: I'm not sure we need
14 to address that \$9. I mean we don't manage
15 -- it's not our account. We put all the
16 money in that we should have paid in terms
17 of royalties. When the money went out,
18 there was a mistake.

19 MR. PRATHER: You are sure that
20 the overpayment is more than \$9?

21 MR. SWARTZ: I'm sorry.

22 MR. PRATHER: You are sure that
23 the overpayment is more than \$9?

24 MS. QUILLEN: Was there more than

1 one that was overpaid? Were there several
2 people that were overpaid?

3 MS. DUTY: There were three owners
4 that were overpaid. Ms. Raspberry had
5 originally started -- had drafted the letters
6 to ask for refunds from those owners. I
7 think that was one of the first things Mr.
8 Cooper took care of when he first took over
9 was to make sure that those monies got put
10 back into the account.

11 We were not part of the calculation
12 that asked those owners to, you know, write
13 a check to refund the money. We didn't do
14 the calculation.

15 MS. QUILLEN: Oh, okay.

16 MR. PRATHER: You just deducted it
17 against that total?

18 MR. SWARTZ: We don't manage that
19 account. Okay. When we come in here to
20 make a disbursement, we try to make sure
21 that the bank received all of the money --
22 all of the checks that we wrote to the bank
23 that should be in the account. The way we
24 do that, we look at our records and we look

1 at the deposits.

2 In this instance, as is often the
3 case, they are completely in agreement.
4 They got all the checks we sent them. The
5 reason the account is off, it's possibly a
6 combination because we don't -- we don't --
7 we're not the bank. So there is costs that
8 come out of these accounts that the bank
9 charges.

10 There's money that goes into the
11 accounts that the bank earns and in this
12 instance there was a disbursement that was
13 apparently incorrect and all the money may
14 not have come back in or there may have
15 been a math error.

16 So the \$9 difference is a collection
17 of those things. I mean it might even be
18 costs. There might not have been a math
19 error. I mean I don't know.

20 MS. QUILLEN: It's the perfect
21 storm. Everything kind of came together at
22 the same time.

23 MR. SWARTZ: It's a \$9 -- it could
24 be explained in a bunch of ways some of

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1 which aren't even a mistake, you know,
2 because there could be cost deducts against
3 this account in excess of revenue which
4 could account for part or all of that. I don't
5 know.

6 MR. LAMBERT: It's part of that two
7 percent we're going to have to figure out;
8 right?

9 MR. SWARTZ: I don't know.

10 MR. LAMBERT: That's a good
11 explanation. It's just one of those things
12 we're going to have to --

13 MR. SWARTZ: We're going to talk
14 about that later. You raise a good point.
15 I mean there is always going to be a
16 disconnect between -- and I don't know how
17 to quantify that, Mr. Chairman, but there's
18 always going to be a disconnect between the
19 sum on deposit and the payments that the
20 operators have made, because even if all the
21 math was always perfect, there are costs
22 that the collection of escrow agents have
23 collected from the account and pro-rated
24 across the units. Then there is revenue,

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1 you know, that's been allocated. So there's
2 always going to be a difference. I don't
3 know how to calculate it. Maybe your
4 auditors have, you know, done something
5 about that. I don't know how to calculate
6 that but, you know, there is always going to
7 be a difference period. It's the nature of
8 the game.

9 MS. QUILLEN: In the operation
10 things cross over each other.

11 MR. SWARTZ: Right.

12 MR. LAMBERT: I think this whole
13 discussion is probably what we're going to
14 have at the end when we get to it.

15 MR. SWARTZ: But it's part of the
16 issue.

17 MR. LAMBERT: It brings up the
18 issue that we're going to have to decide on
19 this afternoon.

20 MR. SWARTZ: Right.

21 MR. LAMBERT: Any other
22 discussion?

23 [No response.]

24 MR. LAMBERT: Anything further, Mr.

1 Swartz?

2 MR. SWARTZ: No.

3 MR. LAMBERT: Do I have a motion?

4 MS. QUILLEN: Motion to approve.

5 MR. PRATHER: Second.

6 MR. LAMBERT: A motion and a
7 second. Any further discussions?

8 [No response.]

9 MR. LAMBERT: All in favor signify
10 by saying yes.

11 BOARD MEMBERS: Yes.

12 MR. LAMBERT: Opposed no.

13 [No response.]

14 MR. LAMBERT: Thank you. That's
15 approved.

16 - - - - -

17 MR. LAMBERT: Docket Item 21, a
18 petition from CNX Gas Company, LLC for
19 disbursement of funds from Tract 8 for Unit
20 U-28, Docket Number VGOB-97-0218-0564-03.

21 All parties wishing to testify please
22 come forward.

23 MR. SWARTZ: Mark Swartz and
24 Anita Duty.

1 MR. LAMBERT: You may proceed,
2 Mr. Swartz?

3 MR. SWARTZ: Thank you.

4 BY MR. SWARTZ:

5 Q Anita, state your name for us again?

6 A Anita Duty.

7 Q Who do you work for?

8 A CNX Land Resources.

9 Q This is another request for a
10 disbursement; correct?

11 A It is.

12 Q We're asking that a partial
13 disbursement be made pertaining to Tract 8
14 from the escrow account established for Unit
15 U-28; is that correct?

16 A Yes.

17 Q The basis for the request is what?

18 A 50/50 royalty agreement.

19 Q Between whom?

20 A Torch Oil and Gas Company and then
21 Roscoe Deskings and Calvin Deskings.

22 Q This is a 50/50 agreement?

23 A It is.

24 Q Have you used the terms of those

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1 50/50 terms to prepare Exhibit A -- A-1 I
2 should say?

3 A Yes.

4 Q Did you compare the payments that
5 the operator made with the deposits that the
6 collection of escrow agents received over the
7 years?

8 A Yes.

9 Q When you did that, what did you
10 determine?

11 A We could find each deposit.

12 Q So they were in agreement here?

13 A Yes.

14 Q Who is to receive the disbursements
15 and what percentages should the escrow
16 agent use when making disbursements?

17 A Torch Oil and Gas Company should
18 receive 13.8414 percent of the escrow
19 account.

20 Roscoe Deskings, Jr. should receive
21 6.9207 percent and Calvin Deskings should
22 also receive 6.9207 percent.

23 Q Those percentages should be
24 employed by the escrow agent and used

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1 against the balance on deposit at the time
2 the disbursements are made?

3 A Yes.

4 Q The escrow calculation that you did
5 was as of what date?

6 A August 31st, 2012.

7 Q This unit is now -- or production
8 from these wells is now being credited to
9 VP2 --

10 A Yes.

11 MS. PIGEON: Which one?

12 MR. SWARTZ: VP2 Unit --

13 MS. PIGEON: There's only one.

14 MR. SWARTZ: There's only one.
15 That's all I have, Mr. Chairman.

16 MR. LAMBERT: Any questions from
17 the Board?

18 MR. COOPER: I have a question,
19 Mr. Chairman.

20 MR. LAMBERT: Mr. Cooper.

21 MR. COOPER: Is there only one
22 well contributing in this unit or is it multiple
23 wells?

24 MS. DUTY: I don't know that. I'm

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1 assuming that it is. It could be Unit 28 A,
2 B, C, D. I don't know how many well were
3 producing.

4 MR. COOPER: Could you let us
5 know that sometime.

6 MS. PIGEON: It usually tells on
7 your reconciliation sheet which wells are
8 contributing.

9 MR. SWARTZ: Well, it's a -- this is
10 getting production from three panels. So it
11 could be -- it might be 20 wells.

12 MS. DUTY: And this one is a really
13 old one. It's hard to go back into the
14 history and find which wells are producing at
15 what point in time. So that's kind of why
16 we didn't put it on this one.

17 MR. SWARTZ: The division of
18 interest is the result of applying the acreage
19 factor to two left, three left, four left and
20 there would be multiple wells in each one of
21 those panels that would be allocated. So
22 there's a lot of wells that were in the loop
23 here.

24 MS. DUTY: I guess the other thing

1 we don't want anyone to be confused that
2 100 percent of that production would be
3 applied to this account. It's just the 100
4 percent of all the wells producing in the
5 panel based on this percent that they
6 contribute to the panel. So it's kind of --

7 MS. PIGEON: A percentage of a
8 percentage.

9 MR. SWARTZ: Right. We calculate
10 the acres in this unit that contribute, for
11 example, two left compared to the total acres
12 in two left and then we, you know, do a
13 division of interest to back it down to a
14 person.

15 So, you know, it's not like a typical
16 frack unit where 100 percent of the
17 production from that well in that 80-acre unit
18 goes to that. This is an allocation process
19 and you're getting a piece of a lot of
20 acreage that is outside of your unit.

21 MS. QUILLEN: When you're saying
22 three panels, that's in the long wall; right?

23 MR. SWARTZ: This apparently 3
24 long wall panels intersected this -- I guess

1 this is an Oakwood property. This is an
2 Oakwood Unit.

3 MS. QUILLEN: All of those panels;
4 right?

5 MR. SWARTZ: Right. And there's a
6 little bit of production from each one of
7 those panels that's allocated.

8 MS. QUILLEN: Yeah. Got you.

9 MR. LAMBERT: Anything further, Mr.
10 Swartz?

11 MR. SWARTZ: No.

12 MR. LAMBERT: Do I have a motion?

13 MS. QUILLEN: Motion to approve.

14 MR. PRATHER: Second.

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

17 [No response.]

18 MR. LAMBERT: All in favor signify
19 by saying yes.

20 BOARD MEMBERS: Yes.

21 MR. LAMBERT: All opposed no.

22 [No response.]

23 MR. LAMBERT: Thank you. It's
24 approved.

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1
2 MR. LAMBERT: Calling Item Number
3 22, a petition from CNX Gas Company, LLC
4 for the disbursement of funds from Tracts 3,
5 4, 7 and 8 for Unit Y-32. This is Docket
6 Number VGOB-97-0318-0573-01.

7 All parties wishing to testify, please
8 come forward.

9 MR. SWARTZ: Mark Swartz and
10 Anita Duty.

11 MR. LAMBERT: You may proceed,
12 Mr. Swartz.

13 BY MR. SWARTZ:

14 Q Anita, state your name for us again?

15 A Anita Duty.

16 Q Who do you work for?

17 A CNX Land Resources.

18 Q This is another petition for
19 disbursement; correct?

20 A It is.

21 Q If this petition is granted, the
22 escrow agent would actually be instructed to
23 close this escrow account; correct?

24 A Yes.

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1 Q This pertains to four tracts in
2 escrow, Tracts 3, 4, 7 and 8; is that
3 correct?

4 A Yes.

5 Q And we're talking about Oakwood
6 Unit Y-32?

7 A Yes.

8 Q The reason -- actually I think there
9 are two reasons for this request; is that
10 right?

11 A It is.

12 Q The first reason is what?

13 A A court order.

14 Q Okay. And you've identified that in
15 your petition and the folks that that court
16 order affects; correct?

17 A Yes.

18 Q Then in addition there is also a
19 royalty split agreement; correct?

20 A Yes.

21 Q Between who?

22 A Coal Mountain CNX Gas Company
23 and Ruth Boyd.

24 Q Is that a 50/50 agreement?

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1 A They are.

2 Q And obviously the court outcome is
3 100 percent?

4 A It is.

5 Q Did you do an Exhibit A-1 with
6 regard to this disbursement?

7 A Yes.

8 Q What was the date that you did that
9 effective as?

10 A August 31, 2012.

11 Q Okay. Again did you obtain a
12 printout of all of the payments that the
13 operator had made over time to the escrow
14 agent and then undertake to compare those
15 payments to the deposits that the escrow
16 agent booked to this account?

17 A Yes.

18 Q When you did that, what did you
19 find?

20 A They were all accounted for.

21 Q Okay. Would you carefully, okay,
22 read the names of the people who should
23 receive payments and the percentages that
24 the escrow agent should use when making

1 the payment?

2 A Coal Mountain Mining Company and
3 CNX Gas Company, LLC should each receive
4 10.0645 percent of the escrow account for
5 Tract 3.

6 For Tract 4 Allie Clowers and
7 Bufford Davis should each receive 6.9439
8 percent.

9 Billy Davis and Lisa Davis should
10 each receive 3.4720 percent.

11 Joe Davis, Bobby Davis, Gary Davis,
12 Larry Davis and Larry and Jackie Davis
13 should each receive 6.9439 percent of the
14 escrow account for Tract 4.

15 For Tract 7 Coal Mine Mining should
16 receive 0.015 percent and Ruth Boyd should
17 also receive 0.015 percent.

18 For Tract 8, Allie Clowers and
19 Bufford Davis should each received 3.0362
20 percent of the escrow account. Bufford
21 Davis and Lisa Davis should each receive
22 1.5181 percent of the escrow account. Joe
23 Davis, Bobby Davis, Gary Davis, Larry Davis
24 and Larry and Jackie Davis should each

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1 receive 3.0362 percent of the escrow account
2 for Tract 8.

3 Q This disbursement when applied by
4 the escrow agent will close the account?

5 A It will.

6 MR. SWARTZ: That's all I have, Mr.
7 Chairman.

8 MR. LAMBERT: Any questions for
9 the Board?

10 MS. PIGEON: What is the split
11 agreement? Did you say it was a 50/50 split
12 agreement?

13 MS. DUTY: Yes. For Tracts 3 and
14 7.

15 MS. PIGEON: But we have three
16 parties listed.

17 MS. DUTY: Coal Mountain is the
18 coal owner on both.

19 MS. PIGEON: Okay. That makes
20 more sense to me for a 50/50 split.

21 MR. LAMBERT: Any other questions
22 from the Board?

23 [No response.]

24 MR. LAMBERT: Anything further, Mr.

1 Swartz?

2 MR. SWARTZ: No.

3 MR. LAMBERT: Do I have a motion?

4 MS. QUILLEN: Motion to approve.

5 MR. PRATHER: Second.

6 MR. LAMBERT: A motion and a
7 second. Any further discussions?

8 [No response.]

9 MR. LAMBERT: All in favor signify
10 by saying yes.

11 BOARD MEMBERS: Yes.

12 MR. LAMBERT: Opposed no.

13 [No response.]

14 MR. LAMBERT: Thank you, folks.
15 That's approved.

16 - - - - -

17 MR. LAMBERT: Calling Docket Item
18 Number 23, a petition from CNX Gas
19 Company, LLC for the disbursement of funds
20 from escrow regarding Tracts 1C, 1E, and
21 1F. This is Docket Number VGOB-03-0318-
22 1132-02.

23 All parties wishing to testify please
24 come forward.

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1 MR. SWARTZ: Mark Swartz and
2 Anita Duly.

3 MR. LAMBERT: You may proceed,
4 Mr. Swartz.

5 MR. SWARTZ: Thank you.

6 BY MR. SWARTZ:

7 Q Anita, state your name for us again.

8 A Anita Duly.

9 Q Who do you work for?

10 A CNX Land Resources.

11 Q Is this another request for a
12 disbursement from escrow?

13 A Yes.

14 Q Does it pertain to Tracts 1C, 1E and
15 1F of Drilling Unit FF-32?

16 A Yes.

17 Q The reason -- at least one of the
18 reasons or the reason for this disbursement
19 is what? What happened?

20 A Whenever we were looking at the
21 accounts, FF-34 and FF-32, we realized there
22 was a \$9,007.93 error that needed to
23 transfer from one account to the other. So
24 this is just paying off that \$9,000.

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1 Q Okay. Then the people that are to
2 receive the disbursement if it's approved,
3 what happened with regard to them there to
4 allow the escrow agent and the Board to pay
5 them?

6 A They had a royalty agreement.

7 Q A split agreement?

8 A Yes.

9 Q Is that a 50/50 agreement?

10 A It is.

11 Q Let's come back to the transfer.
12 When you were reconciling the payments that
13 the operator had made and the deposits, you
14 determined that there was roughly \$9000 that
15 didn't find its way into the account. Is that
16 how you discovered this?

17 A We were actually doing a
18 disbursement on FF-34.

19 Q Okay. So you found extra money
20 when you were doing FF-34?

21 A Correct.

22 Q Then you were able to account for
23 that as a mis-application of money that
24 should have gone to FF-32; correct?

1 A Yes.

2 Q Well --

3 A I'm looking. Wait a minute. I might
4 have it backwards.

5 Q You've got in your thing here,
6 although the disbursements from escrow had
7 taken place, CNX discovered funds were
8 posted to Unit FF-34 instead of FF-32 in
9 error. Is that right?

10 A When we originally did the
11 disbursement for FF-32, we discovered that
12 that amount was missing but found it in FF-
13 34.

14 Q Okay. You've interacted with Mr.
15 Cooper about that to cause the escrow agent
16 to fix that problem?

17 A Yes. We actually have the letter
18 where he asked for the transfer.

19 Q Okay. With that in mind, were you
20 able to then reconcile the account between
21 the payment records of the operator and the
22 deposits with the adjustment of the escrow
23 agents?

24 A Yes.

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1 Q Do we need to wait for that money
2 to make sure it's in this account before the
3 disbursement is made?

4 A It already is.

5 Q Okay. Let's look at Exhibit A1. It
6 was done as of a date I suppose although I
7 cannot tell from that exhibit.

8 A We're actually going back and paying
9 that, just that \$9000.

10 Q So that's all been taken care of
11 here?

12 A Yes.

13 Q Who would receive the disbursements
14 from the \$9000 transfer and what
15 percentages should the escrow agent use
16 when making that disbursement?

17 A Okay. For Tract 1-C, Swords Creek
18 and CNX Sales Company, LLC should each
19 receive 35.9278 percent of the account.

20 For Tract 1-E Swords Creek Land
21 Partnership should receive 1.2765 percent.
22 Jackie Richardson should receive 0.6382
23 percent. Phyllis Richardson should receive
24 0.6382 percent.

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1 For Tract 1-F, Swords Creek Land
2 Partnership should receive 7.721 percent of
3 the account. Jackie Richardson and Phyllis
4 Richardson should each receive 3.8605
5 percent of the account.

6 Q What you've done here --

7 A No.

8 Q Just hang on. What you've done
9 here in your additional facts in the beginning
10 these are percentages that the escrow agent
11 should use but they should apply those
12 percentages to \$9,007.93, which will give
13 them an amount; correct?

14 A Yes.

15 Q And that's the amount that you have
16 reported in the last column?

17 A Yes.

18 Q So this is a rare case where you're
19 telling the escrow agent, here's the
20 percentage and here's the dollars?

21 A Yes. That's right.

22 Q So the escrow agent's disbursement
23 here should be the actual dollar amounts in
24 the last column?

1 A It should be.

2 Q This is an instance where you were
3 able to give the Board the -- identify the
4 wells contributing to this account?

5 A Yes. FF-32 and FF-32-A.

6 MR. SWARTZ: That's all I have, Mr.
7 Chairman.

8 MR. LAMBERT: Any questions from
9 the Board? Ms. Quillen.

10 MS. QUILLEN: Go ahead, Donald.

11 MR. RATLIFF: Can you tell when
12 the mistake was made? Can you tell when
13 that deposit went into FF-34?

14 MR. COOPER: Mr. Chairman, this
15 would be one of the accounts where it was
16 being directly deposited in the wrong
17 account. We found that we had disbursed
18 \$9000 out incorrectly.

19 MS. PIGEON: Is that all in this
20 account, the \$9000 plus. So you're going to
21 apply these percentages to that set amount
22 and then you're going to apply the
23 percentage to the balance as a two-step
24 thing. Is that what we're talking about?

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1 MR. SWARTZ: It was the first
2 deposits from '05 to '06 that went awry from
3 September 23rd of '05 through a deposit for
4 a check September 25th of '06. We've got
5 the check numbers and, you know, we did
6 the math and that's what went into the other
7 account. That's the \$9000.

8 MS. QUILLEN: So the date this was
9 reconciled was September of '06?

10 MR. SWARTZ: No. No. I thought
11 the question was when did it -- when was
12 the mistake made. It was the deposit. The
13 checks that were received from us were
14 checks issued between 9/23 of 2005 and
15 9/25 of 2006. There was a series of them.

16 When they were deposited, the
17 allocation of that money by the escrow
18 agents was to the wrong unit.

19 MR. RATLIFF: That was Wachovia at
20 the time?

21 MS. DAVIS: Probably '05.

22 MS. QUILLEN: In '05/06?

23 MR. SWARTZ: Right.

24 MS. PIGEON: Did these individuals

1 receive a disbursement?

2 MS. DUTY: Yes.

3 MS. QUILLEN: So this a balance.

4 MR. SWARTZ: This is to square
5 that up with them. Right.

6 MS. QUILLEN: This is all these
7 individuals will be owed out of this account?

8 MS. DUTY: Correct.

9 MS. DAVIS: The money was put
10 back into the account on September of this
11 year \$9,007.93. We haven't seen the front
12 of the checks. We don't know if it was
13 incorrectly identified on the check and the
14 bank could have been wrong in putting it
15 where it was supposed to go. If the bank
16 made a mistake, it would still be --

17 MR. LAMBERT: But we fixed it.

18 MS. DAVIS: But we fixed it.

19 MS. PIGEON: This is the final
20 disbursements to these individuals?

21 MR. SWARTZ: This squares up that
22 disbursement where they didn't get the
23 \$9,007. There's still a balance in this
24 escrow account. I haven't looked at who

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1 else -- these people should be done.

2 MS. PIGEON: That's where I'm
3 trying to go with this so we can have a
4 record that these individuals are now getting
5 their final disbursement?

6 MR. SWARTZ: Correct.

7 MS. PIGEON: And then pay them
8 directly if there are more monies arriving or
9 whatever?

10 MR. SWARTZ: Correct.

11 MS. PIGEON: Okay.

12 MR. SWARTZ: The money in there
13 that's still in the account that requires it to
14 be maintained just to do the flip side of
15 that. This is for other people.

16 MS. QUILLEN: What date was this
17 actually reconciled?

18 MR. SWARTZ: Well, the check
19 apparently came in on September 20th.

20 MS. QUILLEN: September of when?

21 MR. SWARTZ: Of this year. Now
22 I'm assuming we figured something was
23 wrong before that, but that was when the
24 money went into this account that's being

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1 split.

2 MS. QUILLEN: It came over from
3 Wachovia?

4 MR. SWARTZ: No, no, no. The
5 bank had it. The new escrow agent had it.

6 MS. QUILLEN: Okay.

7 MR. SWARTZ: They got all the
8 money. It just was in the wrong account.

9 MS. QUILLEN: It was just --

10 MR. SWARTZ: In the wrong account.

11 MS. QUILLEN: It all came over.

12 MR. SWARTZ: Correct.

13 MS. QUILLEN: It was just --

14 MR. SWARTZ: No. We didn't get
15 some like delayed transfer from them.

16 MS. QUILLEN: Okay.

17 MR. SWARTZ: That would be bad,
18 you know. Hopefully they gave all the
19 money back when they stopped being the
20 escrow agent.

21 MS. QUILLEN: Don't muddy the
22 water here.

23 MR. LAMBERT: The chair recognizes
24 Mr. Ratliff to ask a question.

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1 MR. RATLIFF: Diane, do we know if
2 we made a payment out of FF-34?

3 MS. DAVIS: Yes. We made several
4 payments. The one that they are referencing
5 today has been made prior. So this is just
6 to complete it.

7 MR. RATLIFF: Okay. So we're
8 clean?

9 MR. SWARTZ: Right.

10 MS. DAVIS: Yes.

11 MS. QUILLEN: So everything is --

12 MR. SWARTZ: Right. It's right
13 where it belongs.

14 MS. QUILLEN: Okay.

15 MR. LAMBERT: Any other questions
16 from the Board?

17 [No response.]

18 MR. LAMBERT: Anything further, Mr.
19 Swartz?

20 MR. SWARTZ: No.

21 MR. LAMBERT: Do I have a motion?

22 MS. QUILLEN: Motion to approve.

23 MR. PRATHER: Second.

24 MR. LAMBERT: I have a motion and

1 I have a second. Any further discussion?

2 [No response.]

3 MR. LAMBERT: All in favor signify
4 by saying yes?

5 BOARD MEMBERS: Yes.

6 MR. LAMBERT: Opposed no.

7 [No response.]

8 MR. LAMBERT: Thank you folks.
9 That is approved.

10 - - - - -

11 MR. LAMBERT: Calling Docket Item
12 Number 24, a petition from CNX Gas
13 Company, LLC for disbursement of funds and
14 authorization of direct payment royalties for
15 Tract 2. This is Unit AY-119, Docket
16 Number VGOB-03-0513-1149-03.

17 All parties who wish to testify please
18 come forward.

19 MR. SWARTZ: Mark Swartz and
20 Anita Duty.

21 MR. LAMBERT: You may proceed,
22 Mr. Swartz.

23 MR. SWARTZ: Thank you.

24 BY MR. SWARTZ:

1 Q Anita, state your name for us
2 please.

3 A Anita Duty.

4 Q Who do you work for?

5 A CNX Land Resources.

6 Q We're here on another disbursement
7 request; correct?

8 A Yes.

9 Q This would be a partial
10 disbursement?

11 A It is.

12 Q It pertains to a portion of Tract 2?

13 A Yes.

14 Q In Unit AY-119?

15 A Yes.

16 Q Did you -- and the reason for this
17 disbursement request is what?

18 A A 50/50 royalty agreement.

19 Q Did you use that 50/50 agreement in
20 preparing Exhibit A-1?

21 A Yes.

22 Q Exhibit A-1 is a reconciliation of the
23 escrow account as of what date?

24 A August 31st of 2012.

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1 Q Okay. In that regard did you take
2 the operator's payment records and then
3 compare them to the escrow agent's deposit
4 records to see how they compared?

5 A Yes.

6 Q When you did that, what did you
7 find?

8 A They were in balance.

9 Q Using Exhibit A-1 would you identify
10 the people by name who are to receive the
11 disbursement and then give the percentage
12 that the escrow agent should use to make
13 the disbursement?

14 A Swords Creek Land Partnership
15 should receive 0.0435 percent. Bernice
16 Matney and Geraldine Smith should each
17 receive 0.0218 percent.

18 Q The well contributing to this escrow
19 account is what?

20 A AY-119.

21 Q Are you requesting permission to pay
22 these people directly in the future?

23 A Yes.

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

1 Chairman.

2 MR. LAMBERT: Any questions from
3 the Board?

4 [No response.]

5 MR. LAMBERT: Anything further, Mr.
6 Swartz?

7 MR. SWARTZ: No.

8 MR. LAMBERT: Do I have a motion?

9 MS. QUILLEN: Motion to approve.

10 MR. PRATHER: Second

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

13 [No response.]

14 MR. LAMBERT: All in favor signify
15 by saying yes.

16 BOARD MEMBERS: Yes.

17 MR. LAMBERT: Opposed no.

18 [No response.]

19 MR. LAMBERT: That is approved.

20 - - - - -

21 MR. LAMBERT: I'm calling Docket
22 Item Number 25, a petition from CNX Gas
23 Company, LLC for disbursement of funds from
24 escrow regarding Tracts 1-I and 2-A and the

1 authorization of direct payment of royalties
2 for Unit FF-39, Docket Number VGOB-03-
3 1021-1208-03.

4 All parties wishing to testify please
5 come forward.

6 MR. SWARTZ: Mark Swartz and
7 Anita Duty.

8 MR. LAMBERT: You may proceed,
9 Mr. Swartz.

10 MR. SWARTZ: Thank you.

11 BY MR. SWARTZ:

12 Q State your name for us.

13 A Anita Duty.

14 Q Who do you work for?

15 A CNX Land Resources.

16 Q We have another petition that you've
17 made for disbursement from escrow; correct?

18 A Yes.

19 Q It pertains to Tracts 1-1 and 2-A; is
20 that right?

21 A Yes.

22 Q And it would come out of the escrow
23 account established for FF-39?

24 A Yes.

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1 Q The reason for this request is?

2 A 50/50 royalty split agreement.

3 Q Did you use that agreement, that
4 50/50 concept, in preparing Exhibit A-1?

5 A Yes.

6 Q And A-1 is an account balance
7 comparison as of what date?

8 A August 31st of 2012.

9 Q Okay. Did you actually obtain the
10 payment records from the operator and
11 compare those to deposits booked by the
12 collection escrow agents?

13 A Yes.

14 Q When you made that comparison what
15 did you find?

16 A They were in balance.

17 Q Okay. Would you identify the people
18 who we are proposing receive the
19 disbursements and the percentages that the
20 escrow agent should use when it makes the
21 disbursements?

22 A Tract 1-1, Coal Mountain Mining and
23 Edward Newberry should each receive 2.3463
24 percent of the escrow account. Tract 2-A,

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1 Coal Mountain and Edward Newberry should
2 each receive 3.0205 percent of the escrow
3 account.

4 Q These are the percentages that the
5 agent should use at the time the
6 disbursement is made?

7 A Yes.

8 Q The well contributing to this escrow
9 account?

10 A FF-39.

11 Q Are you requesting permission to pay
12 these folks who are receiving these
13 disbursements directly in the future?

14 A Yes.

15 MR. SWARTZ: That's all I have, Mr.
16 Chairman.

17 MR. LAMBERT: Any questions from
18 the Board?

19 [No response.]

20 MR. LAMBERT: Do I have a motion.

21 MS. QUILLEN: Motion to approve.

22 MR. PRATHER: Second.

23 MR. LAMBERT: I have a motion and
24 a second. Any further discussion?

1 [No response.]

2 MR. LAMBERT: All in favor signify
3 by saying yes.

4 BOARD MEMBERS: Yes.

5 MR. LAMBERT: Opposed no.

6 MR. RATLIFF: I abstain.

7 MR. LAMBERT: One abstention, Mr.
8 Ratliff.

9 MR. LAMBERT: Thank you, folks.
10 That is approved.

11 - - - - -

12 MR. SWARTZ: We need to withdraw
13 26. The people who entered into the split
14 agreement have apparently come to
15 loggerheads as to what was intended. So we
16 have a split agreement that's in dispute and
17 we really don't feel comfortable proceeding
18 with that.

19 MR. LAMBERT: We're calling a
20 petition from CNX Gas Company, LLC for the
21 disbursement of funds from escrow for Unit
22 AV-120 for Tract 1-B and authorization of
23 direct payment of royalties. This is Docket
24 Number VGOB-03-1118-1217-01 will be

1 continued until --

2 MR. SWARTZ: I think we would
3 withdraw it actually.

4 MR. LAMBERT: Withdraw?

5 MR. SWARTZ: Yes.

6 MR. LAMBERT: That petition will be
7 withdrawn.

8 MS. PIGEON: Do you have some
9 sort of documentation on the split
10 agreement?

11 MR. SWARTZ: We had the split
12 agreement but then we had someone saying
13 I didn't mean that, which happens, you know.
14 It's okay but we're not going to resolve that
15 dispute.

16 MS. PIGEON: We would sort of like
17 to hear an update on that, you know, as
18 time passes.

19 MR. SWARTZ: Hopefully their pot
20 will continue to boil and they'll get back to
21 us having worked it out. I mean I don't
22 know. I mean it's --

23 MS. PIGEON: If you do have any
24 additional information, we would like to have

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1 that.

2 MR. SWARTZ: All we have is a
3 phone conversation at this point; but
4 obviously, you know, if they resolve it, we'll
5 be back.

6 MS. PIGEON: Okay. If they file a
7 lawsuit, we would like to have that
8 information.

9 - - - - -

10 MR. LAMBERT: Item 27 is a petition
11 from CNX Gas Company, LLC for
12 disbursement of funds from escrow regarding
13 a portion of Tracts 2A and 2G to Swords
14 Creek Land Partnership, Bernice Matney and
15 Geraldine Smith for Unit AY-120, Docket
16 Number VGOB-04-0615-1296-04.

17 All parties who wish to testify,
18 please come forward.

19 MR. SWARTZ: Mark Swartz and
20 Anita Duty.

21 MR. LAMBERT: You may proceed,
22 Mr. Swartz.

23 BY MR. SWARTZ:

24 Q Anita, would you state your name

1 again.

2 A Anita Duty.

3 Q And your employer?

4 A CNX Land Resources.

5 Q This is another request for
6 disbursement; correct?

7 A It is.

8 Q It would be a partial disbursement?

9 A Yes.

10 Q It pertains to Tracts 2-A and 2-G in
11 Drilling Unit AY-120?

12 A Yes.

13 Q The reason for the request?

14 A A royalty split agreement, 50/50.

15 Q Did you use that 50/50 split to
16 assist you in preparing Exhibit A-1?

17 A Yes.

18 Q Is Exhibit A-1 as of a date certain?

19 A August 31, 2012.

20 Q Did you -- through that date did you
21 compare the payments that the operator had
22 made to the deposits that the escrow agents
23 had booked?

24 A Yes.

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1 Q When you did that what did you
2 find?

3 A They were accounted for.

4 Q Would you identify for the Board the
5 names of the people to receive these
6 disbursements and the percentages that the
7 agent should use when making them?

8 A For Tract 2-A, Swords Creek Land
9 Partnership should receive 7.1854 percent.
10 Bernice Matney and Geraldine Smith should
11 each receive 3.5927 percent.

12 For Tract 2-G Swords Creek Land
13 Partnership should receive 0.1838 percent.
14 Bernice Matney and Geraldine Smith should
15 each receive 0.0919 percent of the escrow
16 account.

17 Q The well that contributed to this or
18 continues to contribute to this escrow
19 account is what?

20 A AY-120.

21 Q In addition to disbursement are you
22 also requesting that you be allowed pay
23 these folks directly in the future?

24 A Yes.

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

MR. LAMBERT: Any question from the Board?

[No response.]

MR. LAMBERT: Anything further, Mr. Swartz?

MR. SWARTZ: No.

MR. LAMBERT: Do I have a motion?

MS. QUILLEN: Motion to approve.

MR. PRATHER: Second.

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

[No response.]

MR. LAMBERT: All in favor signify by saying yes.

BOARD MEMBERS: Yes.

MR. RATLIFF: I abstain, Mr. Chairman.

MR. LAMBERT: One abstention, Mr. Ratliff.

Thank you, folks. That's approved.

MR. SWARTZ: Thank you.

- - - - -

1 MR. HORN: Mr. Lambert, if it's
2 okay, skip over us. Tim's not here yet.

3 MR. SWARTZ: I think we should
4 dismiss all of those.

5 MR. LAMBERT: Are you suggesting
6 moving up to 34, Mr. Swartz.

7 MR. SWARTZ: We could or we could
8 do the appeal.

9 MR. LAMBERT: I think what we will
10 do if that's okay, we'll move to Docket Item
11 Number 32 and hear that appeal.

12 MR. SWARTZ: That would be cool.
13 Sure.

14 MS. DAVIS: Mr. Chairman, before
15 we go on, can I clarify something here. On
16 this last one, can you tell me when 2-A, the
17 acreage -- our calculations come up with a
18 little slightly different change in some of the
19 E-forms. I guess I just wanted to --
20 everything else matches.

21 MS. DUTY: The ten acres that were
22 escrowed?

23 MS. DAVIS: Tract 2-A is how much?

24 MS. DUTY: What we're currently

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1 escrowing is 12.9332.

2 MS. DAVIS: Pardon me.

3 MS. DUTY: 12.9332.

4 MS. DAVIS: Well, you've got --
5 okay. We're paying out 1.05; right?

6 MS. DUTY: Yes. Correct.

7 MS. DAVIS: Okay. All right. Thank
8 you. I'm sorry.

9 MS. DUTY: Each. 1.05 each.

10 - - - - -

11 MR. LAMBERT: At this time we're
12 calling Docket Item Number 32, an appeal of
13 the director's decision relative to Unit V-3.
14 This is Docket Number VGOB-12-1113-3093.

15 All parties who wish to testify please
16 come forward.

17 MR. LAMBERT: State your name for
18 the record please.

19 MS. ERDELY: Rinda Erdely.

20 MR. DEEL: Sydney Deel.

21 [The witnesses were sworn.]

22 MR. LAMBERT: I think that each of
23 the Board Members should have received
24 information regarding this appeal with some

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1 background information and also with Mr.
2 Cooper's decision.

3 At this time I'll ask Mr. Cooper if he
4 will summarize for the Board what we're
5 hearing at this time.

6 MR. COOPER: This objection came
7 to the Division of Gas and Oil in October of
8 2010. We did have -- we had a couple
9 postponements of hearings last year due to
10 family illnesses, but we did have a hearing
11 on May the 31st.

12 What we have here is Rinda Erdely
13 and Sidney Deel. They were objecting to
14 sediment erosion control and ineffective
15 water protection stream. We had a hearing
16 in regard to that. That was their objections
17 as surface owners.

18 MR. LAMBERT: Would you go
19 ahead, Mr. Cooper, and summarize your
20 hearing.

21 MR. COOPER: We had testimony on
22 behalf of Mr. Swartz and Phil Glover with
23 CNX talking about the ownership or their
24 right to ascertain the minerals and they

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1 provided a deed entitling in regard to that,
2 but in regard to the objection on what
3 protection stream and sediment erosion
4 control, I believe that the application takes
5 care of that.

6 So I ruled on this objection that
7 proper water protection stream was provided
8 and adequate sediment erosion control was
9 provided in the application permit.

10 MR. LAMBERT: Ms. Erdely, would
11 you or Mr. Deel going to speak or both of
12 you?

13 MR. DEEL: Well, in the beginning
14 God only created a certain amount of land.
15 There is not going to be any more and it's
16 not going to be any cheaper in value.

17 Through my experience I could have
18 bought 100 acres of land in Tazewell County
19 in '67 for just \$16,000. One decade later I
20 went back and tried to buy it and they
21 wanted \$100,000.

22 So what we are being offered is just
23 a drop in the bucket of what the future value
24 will be. It will be tripled or quadrupled in

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1 20 or 30 or 40 years, not counting the small
2 timber which is valuable in the future what
3 will be destroyed and it's going up. Timber
4 is outrageously high.

5 One well sunk my water. The well
6 sank my water. I had to go on public water
7 in Vansant, Virginia.

8 Do they have any guarantees that
9 they won't sink the water table or pollute the
10 water system at all, the water level on the
11 table. Can they guarantee that?

12 MR. LAMBERT: Mr. Cooper, would
13 you address --

14 MR. DEEL: Can they guarantee
15 that?

16 MR. COOPER: If they do actually
17 degradate your water, if they do contaminate
18 the water --

19 MR. DEEL: Can you have a written
20 guarantee that they will not pollute or sink
21 the water table?

22 MR. COOPER: The regulations
23 require that if they actually mess up your
24 water by they're drilling it, they will replace

1 that water until it actually gets better. If
2 you have a permanent water loss and you
3 fall within the guidelines that the regulations
4 require, CNX would be responsible for
5 replacing that water.

6 MR. DEEL: Well, they sank the well
7 water where I live now. They paid \$2700
8 and said that would pay my water bill for a
9 lifetime or so many years and that didn't pay
10 the minimum payment on the water bill for
11 ten years. It doesn't cover the minimum
12 payment.

13 MR. COOPER: I guess the only
14 thing I would say here, and if you had that
15 occurrence in the past I'm sorry, but in
16 regard to this on V-3, they haven't drilled
17 this well yet. So we don't have the
18 circumstances to deal with it.

19 MR. LAMBERT: Mr. Deel, correct me
20 if I'm wrong. Are you saying they destroyed
21 your water supply and they replaced it?

22 MR. DEEL: No. I had to go on the
23 county. See, they sank the whole water
24 table. Everybody lost water around me. I

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1 had to go on public water from Flanagan
2 Dam in Dickenson County and they paid that
3 \$2700.

4 MR. COOPER: That well he's talking
5 about is in another section of Buchanan
6 County.

7 MS. ERDELY: On his own property.

8 MR. COOPER: If it's in any other
9 section in Buchanan County, it's not
10 relevant.

11 MR. DEEL: Yeah, but I'm just
12 saying this for evidence of what happened.

13 MR. LAMBERT: Was that drilling
14 related? Was it determined to be drilling?

15 MR. COOPER: I don't know anything
16 about it to be honest.

17 MS. ERDELY: There is a well on
18 his property as well that he didn't know
19 anything about until just recently.

20 MR. DEEL: Yeah.

21 MS. ERDELY: And then his water
22 got sank and he mentioned it to them when
23 we was at the last meeting.

24 MR. DEEL: Yes.

1 MR. LAMBERT: Do you remember
2 the approximate date on that, Ms. Erdely?

3 MS. ERDELY: It was May when we
4 had our meeting. May of this year.

5 MS. PIGEON: A meeting here?

6 MS. ERDELY: Uh-huh. With Mr.
7 Cooper.

8 MS. QUILLEN: The hearing was on
9 May 31st.

10 MS. ERDELY: In May.

11 MR. COOPER: I guess I'll try to
12 clear up some of this confusion. The water
13 loss that he's talking about, I don't even --
14 to be honest I don't even know where the
15 well is or the well number. It's not the well
16 that we're talking about here today and I'm
17 not sure even when he lost that water.

18 Do you know, Mr. Deel? How many
19 years ago was that?

20 MR. DEEL: It's been 10 to 15 years
21 ago, but I'm just making a point that whether
22 they can guarantee that won't happen to the
23 water table on the land that they're drilling
24 the wells on. Can they guarantee that, that

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1 they won't sink the water table?

2 MR. PRATHER: Is there coal mining
3 under this property?

4 MS. ERDELY: There is on the
5 property that we're talking about. That's
6 why we're here today, the 133 acres we
7 bought. There is coal mines on that
8 property, yeah, or was.

9 MR. LAMBERT: I'm just trying to
10 get to the well water loss that, Mr. Deel,
11 you're referring to that happened 10 to 12
12 years ago?

13 MR. DEEL: Yeah.

14 MR. LAMBERT: Not a recent thing?

15 MR. DEEL: Yeah, but I'm just
16 putting that exhibit in as to what could
17 happen.

18 MR. LAMBERT: Sure. I understand.

19 MR. DEEL: The possibility. Mr.
20 Swartz says the sun may not come up in the
21 morning, but it may not come up after Friday
22 if those predictors have their way.

23 I'd like to make one statement. All
24 that damage, destruction and ill-looking

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1 landscape is going to devalue that property
2 at least 50 percent. It's going to depreciate
3 in value at least 50 percent with all of that
4 on there, all the roads, pipelines and the
5 scenery and all.

6 MR. LAMBERT: Do you have
7 anything, Ms. Erdely?

8 MS. ERDELY: Well, I do. First of
9 all, Derrick Fitzwater told me that they had
10 put a well on us. Before we were told it
11 wasn't on us. He told me it was 99 percent
12 on us now and they want to drill four more
13 wells.

14 MR. LAMBERT: Do we have those
15 applications?

16 MR. COOPER: I'm not sure what
17 those wells are to be honest. I think Mr.
18 Fitzwater said they had intentions or
19 projections of putting those wells in, but I
20 do not believe we have received those
21 applications as of today.

22 MS. ERDELY: Supposedly it's
23 supposed to be on Lonnie Boyd's property,
24 but it's 99 percent on us.

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1 MS. PIGEON: So I believe we're
2 talking about the pool even if not for the
3 actual location of the well --

4 MR. DEEL: Can I make one more
5 statement?

6 MR. LAMBERT: Yes, Mr. Deel.

7 MR. DEEL: They put a well on my
8 present property, this is 40 acres, without
9 me knowing it. It's on there now. They did
10 pay me a certain amount, but they might
11 come back and put future wells on it.

12 Will they pay only \$1000 for future
13 wells or are they limited on wells they can
14 drill in the agreements they bring forth? Are
15 they limited on that? Are they limited on it?

16 MR. COOPER: I guess, answering
17 that question, we really don't get into the
18 value of the wells or the price associated or
19 fees. That's something you work out with
20 CNX. We don't get involved in that.

21 MR. DEEL: Well, I say the value of
22 one well ought to be the same as another
23 one, whether it's now or in the future. It
24 should be the same. That's the way I look

1 at it.

2 MS. PIGEON: Did you get that
3 \$1000 figure from an agreement that you
4 signed with CNX? Is that where that came
5 from?

6 MS. ERDELY: We haven't signed
7 anything.

8 MR. DEEL: No. They haven't
9 signed a thing.

10 MS. PIGEON: So you are just
11 using that number as an example, the
12 \$1000?

13 MR. DEEL: I signed an agreement
14 on the present 40 acres I live on where they
15 put one on without my permission. I didn't
16 know it was there until the guy on the
17 adjoining land told me about it.

18 MR. LAMBERT: Mr. Swartz, do you
19 have anything at all?

20 MR. SWARTZ: We talked about two
21 issues, two objections at the hearing in May.
22 One was whether or not the water protection
23 stream that we had in our permit package
24 was appropriate. We had indicated that we

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1 were going to cement the casing down to a
2 depth of 2750 feet.

3 MS. ERDELY: Excuse me. But
4 cement cracks and it can leak into your
5 water system.

6 MR. LAMBERT: Mr. Erdely, let's
7 hear from him.

8 MS. ERDELY: Okay.

9 MR. LAMBERT: He didn't interrupt
10 you. So let's let him talk.

11 MR. SWARTZ: The permit indicated
12 and Mr. Cooper referred to it in his decision
13 that the plan was to put in a water
14 protection stream and sink it to 2750 feet.

15 Mr. Cooper found that that was an
16 appropriate mechanism to employ to protect
17 the water in the area and that's been his
18 decision.

19 In addition, as I recall, we spent a
20 lot of time looking at photographs as is
21 often the case. You know, we have very
22 hilly terrain here and we spent a lot of time
23 talking about controlling runoff and Mr.
24 Cooper's inspectors inspecting roads that

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1 would be constructed, inspecting drainage
2 ditches, inspecting diversion mechanisms,
3 other mechanisms to control silt.

4 We spent a lot of time talking about
5 that at the hearing and Mr. Cooper spent a
6 fair amount of time talking about that in his
7 decision.

8 So, you know, my view is there were
9 two objections at that hearing. One was
10 sediment and erosion control, was it
11 adequate.

12 The other objection was whether or
13 not the water protection stream was
14 adequate. I have heard nothing today to
15 suggest that 2750 feet is inadequate to
16 protect surface water in the area.

17 I've heard absolutely nothing about
18 sediment and erosion control. We spent a
19 lot of time. Everybody had a chance to
20 present whatever evidence they wanted. Mr.
21 Cooper certainly thought about it. He's
22 written us a three or four-page decision and
23 I think it should be affirmed.

24 MR. DEEL: Can I ask you a

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1 question, Mr. Swartz?

2 MR. SWARTZ: Sure.

3 MR. DEEL: You said you had spent
4 a lot of time, you and Mr. Cooper, talking
5 about it. Where did he get his scientific
6 evidence that he based that decision on?
7 Scientific. Where did he get it from?

8 MR. SWARTZ: You're here objecting
9 to a permit decision and you have the
10 burden of proof. So my response is where
11 is your engineer who says 2750 feet is
12 inappropriate? This is your day.

13 MR. DEEL: Well, is there scientific
14 research on that?

15 MR. SWARTZ: You need to tell the
16 Board that there's scientific research that
17 says that's not going to protect the water.
18 Where is the water? What's the problem?
19 You haven't told us.

20 MR. DEEL: Well, there's a big
21 spring right above where this well is now
22 and fresh water is running on a little knoll.
23 Fresh water is running there, and I don't
24 know, it might be sunk by now.

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1 MR. SWARTZ: And this well is
2 going to be cemented to 2750 feet below
3 that spring. So what's your evidence that
4 it's likely to have an effect on that spring?

5 MR. DEEL: Well, where's our
6 evidence that it won't.

7 MR. COOPER: I would say --

8 MR. LAMBERT: I want everybody --
9 you all talk to the Board. I would ask you
10 to address the Board and not each other and
11 we don't need any interruptions, Mr. Cooper,
12 thank you, but the Board controls the
13 hearing and I'm the Chairman of this Board.

14 MR. DEEL: Okay. I apologize to
15 the Board.

16 MR. LAMBERT: It's accepted.
17 Thank you, Mr. Deel.

18 MR. PRATHER: Mr. Chairman.

19 MR. LAMBERT: Mr. Prather.

20 MR. PRATHER: What is the depth
21 of this well that you're talking about. I
22 assume that you get probably a conductor
23 pipe and you've probably got a water spring
24 down through 400 feet. Then I think the

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1 2400 he's talking about is below the stream.

2 MR. COOPER: You are correct.
3 That is what he's saying.

4 MR. PRATHER: What protects your
5 water would be that little intermediate spring
6 probably at 70 --

7 MR. COOPER: That's correct.

8 MR. PRATHER: If that seeps back
9 to the surface, then there's no damage.

10 MR. COOPER: I agree.

11 MS. ERDELY: Now I read an article
12 in the National Geographics, a 2012 issue,
13 about this lady in Pennsylvania. She had
14 them come on her land, leased her land out,
15 and it leaked.

16 The concrete broke loose and leaked
17 in her water, her well water, her drinking
18 water. She went to turn her water on, it
19 was like she dropped an Alka Seltzer in it.
20 It was full of gas and it almost blew her up
21 and they caught it before it happened.

22 That's what I'm concerned about.
23 Explosions and everything else.

24 MR. LAMBERT: Again as Mr. Cooper

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1 so correctly pointed out, Ms. Erdely, there
2 are regulations in place. Mr. Cooper's
3 division enforces those regulations. If
4 there's any impact to your water, temporary
5 quantity or quality --

6 MS. ERDELY: But what if they don't
7 catch it in time and something happens?

8 MR. LAMBERT: Well, I'm not sure
9 about catching it in time. I mean there's all
10 kinds of protections in place. I mean you're
11 referencing an article that we don't have
12 anything about or no scientific evidence --

13 MS. ERDELY: Well, I've got the
14 book back there if you want to read it.

15 MR. LAMBERT: Well, I read a lot in
16 the newspaper, too, but I don't believe
17 everything I read.

18 MS. ERDELY: Well, I believe that.

19 MR. DEEL: It's a magazine.

20 MR. LAMBERT: But again those
21 regulations will address any concerns or any
22 loss of quantity or problem with your water.
23 At that point Mr. Cooper's division will
24 require the company to replace your water

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1 supply.

2 MS. ERDELY: I've got to do further
3 research about the mineral rights anyway.

4 MR. LAMBERT: Well, that's not an
5 issue that we're here to hear before us
6 today. We're only to address the sediment
7 and erosion and the water stream issue, the
8 water replacement issue, as those
9 represented in the objections.

10 So that's what this Board has to
11 decide on today. The property rights issue
12 is a whole separate issue from what we're
13 hearing today. That will have to be brought
14 up at some other time.

15 MS. ERDELY: We did talk about the
16 water issue.

17 MR. LAMBERT: The water issue?

18 MS. ERDELY: Uh-huh.

19 MR. LAMBERT: That's what we're
20 here to address.

21 MS. ERDELY: That's what I say.
22 Right.

23 MS. QUILLEN: Mr. Chairman.

24 MR. LAMBERT: Ms. Quillen.

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1 MS. QUILLEN: I have a question for
2 I guess Mr. Cooper and Mr. Swartz both.
3 The operations planned for the soil erosion
4 and sediment control, is this plan similar to
5 the plans for other wells in this particular
6 area?

7 MR. COOPER: It is. It's the same
8 type of plan that we've used on numerous
9 wells, with the exception here there's a lot
10 of rock here. So, you're going to have a lot
11 of chipping. You're going to have very little
12 erosion on this location anyway. There's
13 going to be a lot of rock chips. So the
14 erosion will be even less on this one than
15 with respect to a lot of permits.

16 MS. QUILLEN: Okay. Then the
17 requirements for the wells' water protection
18 spring. Is this similar to other wells in this
19 particular area?

20 MR. COOPER: It is.

21 MS. QUILLEN: How many problems
22 have occurred at other wells in the similar
23 region and topography and geology?

24 MR. COOPER: In this particular

1 area we don't have any water loss or water
2 degradation plans in this area.

3 MR. PRATHER: I've got a comment,
4 Mr. Chairman.

5 MR. LAMBERT: Mr. Prather.

6 MR. PRATHER: On these cement
7 jobs, you cement six or seven inches down
8 300 or 400 feet. One of the ways you can
9 tell you've got a good cement job is you
10 take samples out of the cement truck as it's
11 being poured down the drain.

12 If that cement is setup on top of the
13 ground where the temperature is maybe 50 or
14 60 degrees, down under 300 or 400 feet it
15 might be 70 or 80 degrees.

16 Consequently if the cement won't set
17 up on top of the ground, you could probably
18 pull that pipe out of there and do it over
19 again. So that's basically what you do. I
20 mean you make dog-gone sure that cement is
21 set up.

22 MR. COOPER: You are correct on
23 everything. They take a small sample and
24 they monitor that. That's done on each and

1 every cement job on each and every well in
2 Virginia.

3 MR. PRATHER: So, you know, if
4 your cement doesn't set up, you pull the
5 pipe out. That's what I think.

6 MR. COOPER: That's correct. Or at
7 the worst if it did not set up good, they'd
8 have to go in there and perforate it and
9 squeeze it is what you have to do.

10 MR. PRATHER: Yeah. You can't
11 get it out of there.

12 MR. COOPER: That's correct.

13 MR. LAMBERT: Any other discussion
14 from the Board?

15 [No response.]

16 MR. LAMBERT: Any other questions?

17 [No response.]

18 MR. LAMBERT: Mr. Deel, do you
19 have anything else to add?

20 MR. DEEL: She has a National
21 Geographic magazine there that has a whole
22 article from West Virginia all the way to far
23 Southwest Virginia about pollution. That's in
24 the National Geographic.

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1 She has the magazine back there
2 that's got whole pages of it of all the things
3 that's already happened from these gas
4 wells. That's scientific. I think it is. In
5 National Geographic I wouldn't think they
6 would print something without evidence.

7 I have one more question. This
8 referendum that was passed in the last
9 election, does that have any bearing on
10 these property rights that the gas wells are
11 ceasing? Does it have any bearing on it or
12 would you know?

13 MR. LAMBERT: I can't answer that.

14 MR. DEEL: They passed that on the
15 amendment to the State Constitution. You
16 cannot take private property for only one or
17 two things. It use to be schools and
18 railroads. But they passed that. That was
19 passed in the election overwhelmingly. I
20 don't know whether it has any bearing on it
21 or not.

22 MR. LAMBERT: This Board can't
23 answer that question, Mr. Deel, at this point.

24 MS. ERDELY: I guess that's all of

1 it.

2 MR. LAMBERT: So is there any
3 other discussion? Mr. Swartz, do you have
4 anything further?

5 MR. SWARTZ: The only thing I
6 would observe is we actually are required to
7 take a water inventory in advance and test
8 the water that we find so that we have a
9 baseline.

10 So it's not, you know, just guessing
11 later was there water there and has it gotten
12 better or worse. We hire companies to go
13 out and do a water survey to locate water
14 sources and then test that water. We're
15 required to file these reports with Mr.
16 Cooper's office and essentially to create a
17 baseline for him if there's a complaint down
18 the road.

19 So, not only are we trying to protect
20 the water but we're trying to build, you
21 know, data to demonstrate if there's an
22 argument later that it was protected or it
23 wasn't.

24 So it's not -- my experience with Mr.

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1 Cooper's office is they take water issues
2 pretty seriously. There's a pretty significant
3 penalty in the law if you don't protect water.

4 We have done an inventory. You
5 know, we have proposed to have a very
6 significant casing and cement program here
7 to protect against exactly what they're
8 talking about and we have plans in place
9 and experience to handle sediment or erosion
10 control and I think Mr. Cooper saw nothing
11 that caused him to conclude that water would
12 not be protected and sediment erosion would
13 not be handled and decided to overrule the
14 objections and grant the permit.

15 I think you should affirm his
16 decision.

17 MR. LAMBERT: Mr. Erdely, Mr.
18 Deel, do you have any final statements?

19 MR. DEEL: Could I ask Mr. Swartz
20 a question?

21 MR. LAMBERT: Yes, sir, Mr. Deel,
22 I'll allow you to ask one question.

23 MR. SWARTZ: The last time it
24 degenerated, you know, so we may need to

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1 be careful here.

2 MR. DEEL: Well, we're both
3 determined. Well, anyway, these laws under
4 which the gas companies operate, are they
5 state statutes?

6 MR. SWARTZ: Yes.

7 MR. DEEL: By the state?

8 MR. SWARTZ: Yes.

9 MR. DEEL: Have they been
10 challenged in a higher court, the Supreme
11 Court?

12 MR. SWARTZ: No.

13 MR. DEEL: Well, they could be,
14 couldn't they? Would you agree?

15 MR. SWARTZ: The sun could come
16 up tomorrow, yes. Yes.

17 MR. DEEL: Because of the
18 prognosticators or whatever they are,
19 doomsday, it may not come up after Friday.
20 It may not come up.

21 I have one question. Is this Board
22 made up from all over the State of Virginia?

23 MR. LAMBERT: No, sir. The Board
24 Members represent Southwest Virginia.

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MR. DEEL: Just Southwest only?

MR. LAMBERT: Yes.

MS. PIGEON: Well, we could have Board Members.

MR. LAMBERT: We could have.

MR. DEEL: The 9th District from Southwest. Is that from Wytheville to Dublin or Christiansburg? It covers a nice district.

MR. LAMBERT: Yes, sir.

MR. DEEL: Where that shoe polish man, Griffith, got elected. I really don't live in this district.

MR. LAMBERT: Thank you, Mr. Deel.

Any other discussion from the Board?

[No response.]

MR. LAMBERT: Any other questions before I call for a vote to either affirm or not the Director's decision relative to Unit V-3?

[No response.]

MR. LAMBERT: Do I have a motion.

MR. RATLIFF: Move to affirm the

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decision of the Director.

MS. QUILLEN: Second.

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

[No response.]

MR. LAMBERT: All in favor signify by saying yes.

BOARD MEMBERS: Yes.

MR. LAMBERT: Opposed no.

[No response.]

MR. LAMBERT: Mr. Cooper, your decision has been affirmed.

Okay, folks, we're going to break for lunch. We will resume our hearing at about 10 after 1:00.

[Lunch recess.]

- - - - -

MR. LAMBERT: We're calling Docket Item Number 28, a petition from Range Resources-Pine Mountain, Inc. for a well location exception for Well 900120. It's Docket Number VGOB-12-1016-3089.

All parties who wish to testify please come forward.

1 MR. SCOTT: Tim Scott, Gus Janson
2 and Phil Horn for Range Resources-Pine
3 Mountain, Inc.

4 [The witnesses were sworn.]

5 MR. LAMBERT: You may proceed,
6 Mr. Scott.

7 MR. SCOTT: Thank you.

8 BY MR. SCOTT:

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

12 A My name is Phil Horn. I'm employed
13 by Range Resources-Pine Mountain, Inc. as
14 Land Manager.

15 Q You participated in the preparations
16 of this application, did you not?

17 A Yes, I did.

18 Q You are familiar with the ownership
19 of the minerals for this Unit; is that also
20 correct?

21 A That is correct.

22 Q Those owners are listed on Exhibit
23 B; is that correct?

24 A That's correct.

1 Q We have four wells from which this
2 well location is requested; is that right?

3 A Correct.

4 Q Who operates those wells?

5 A Range Resources-Pine Mountain, Inc.
6 and 900123 is a proposed undrilled well.

7 Q But Range is an owner in that, too;
8 is that correct?

9 A That's correct.

10 Q How was notice of the hearing
11 provided to the parties listed on Exhibit B?

12 A By certified mail.

13 Q And we just provided the proof of
14 mailing to the Board; is that correct?

15 A That's correct.

16 MR. SCOTT: That's all I have for
17 Mr. Horn.

18 MR. LAMBERT: Any questions from
19 the Board?

20 MR. PRATHER: Are these
21 horizontals?

22 MR. SCOTT: Vertical.

23 MR. PRATHER: Okay.

24 MR. LAMBERT: Any other questions

1 from the Board?

2 [No response.]

3 MR. LAMBERT: You may continue.

4 BY MR. SCOTT:

5 Q Mr. Janson, your name, for whom are
6 you employed and your occupation please?

7 A My name is Gun Janson. I'm
8 employed by Range Resources-Pine Mountain,
9 Inc. as the Manager of Geology.

10 Q You're familiar with this application;
11 is that correct?

12 A Yes, I am.

13 Q You also participated in the
14 preparation of this application; is that also
15 correct?

16 A I did.

17 Q Would you please tell the Board
18 using Exhibit A why we need a well location
19 exception for this particular unit?

20 A Yes. If the Board will refer to
21 Exhibit AA, you'll see the location of
22 proposed well 900120. It's the well outlined
23 in red with the green stippled area. This
24 well has been positioned to maximize the

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1 recovery of the remaining natural gas
2 resources stranded in relationship to the
3 existing offsetting wells.

4 There is no location available that
5 meets the Statewide spacing requirements.
6 If this well is not drilled, approximately
7 90.09 acres of preserves would be stranded.

8 Q What is the proposed depth of this
9 well?

10 A 5712 feet.

11 Q What would be the loss of reserves
12 if the application were not granted today?

13 A 480 million cubic feet of gas.

14 Q Then if the Board grants our
15 application, it would prevent waste and
16 promote conservation; is that correct?

17 A That is correct.

18 MR. SCOTT: That's all I have for
19 Mr. Janson.

20 MR. LAMBERT: Any questions from
21 the Board?

22 [No response.]

23 MR. LAMBERT: Anything further, Mr.
24 Scott?

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MR. SCOTT: That's all I have.

MR. LAMBERT: Do I have a motion?

MS. QUILLEN: Motion to approve.

MR. PRATHER: Second.

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

[No response.]

MR. LAMBERT: All in favor signify by saying yes.

BOARD MEMBERS: Yes.

MR. LAMBERT: Opposed no.

Thank you, Mr. Scott. Approved.

- - - - -

MR. LAMBERT: We're calling Docket Item Number 29, a petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well 900122, Docket Number VGOB-12-1016-3090.

All parties wishing to testify please come forward.

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

MR. LAMBERT: You may proceed,

1 Mr. Scott.

2 MR. SCOTT: Thank you, Mr.
3 Chairman.

4 BY MR. SCOTT:

5 Q Again, Mr. Horn, your name, by
6 whom you're employed and your job
7 description?

8 A My name is Phil Horn, employed by
9 Range Resources-Pine Mountain, Inc., Land
10 Manager.

11 Q And you're familiar with this
12 application; is that correct?

13 A That's correct.

14 Q And the ownership of the minerals
15 underlying this unit?

16 A That's correct.

17 Q Those owners are set out in Exhibit
18 B; is that correct?

19 A That is correct.

20 Q We're seeking a well location
21 exception for four wells; is that right?

22 A That's right.

23 Q Who operates those wells?

24 A Range Resources-Pine Mountain, Inc.

1 operates those wells.

2 Q Now this particular unit, Range has
3 100 percent interest in the oil and gas; is
4 that correct?

5 A That's correct.

6 Q Now as far as notice of this hearing
7 is concerned, how were people notified, the
8 parties listed in Exhibit B?

9 A By certified mail.

10 Q We've provided proof of our mailing
11 with the Board; is that correct?

12 A Yes, you have.

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

15 MR. LAMBERT: Any questions from
16 the Board?

17 [No response.]

18 MR. LAMBERT: You may continue,
19 Mr. Scott.

20 MR. SCOTT: Thank you.

21 BY MR. SCOTT:

22 Q Mr. Janson, your name, for whom
23 you're employed and your job description
24 please.

1 A Gus Janson, employed by Range
2 Resources-Pine Mountain, Inc. as the
3 Manager of Geology.

4 Q Again you're familiar with this
5 application; is that right?

6 A That is correct.

7 Q You also participated in the
8 preparation; is that correct?

9 A I did.

10 Q Will you please tell the Board why
11 we're seeking a well location exception
12 today?

13 A Yes. Again if the Board would refer
14 to Exhibit AA, you can see the location of
15 proposed well 900122. Again it's that line
16 in red and it also has a green stippled area
17 representing the acres not included in the
18 offsetting unit.

19 This well has been positioned to
20 maximize the recovery of the remaining
21 natural gas resources stranded with the
22 relationship to offsetting wells. There is no
23 location available that meets the statewide
24 spacings. In the event the well is not

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1 drilled approximately 60.40 acres of reserves
2 will be stranded.

3 Q What's our proposed depth of this
4 well?

5 A 6026 feet.

6 Q And the estimated loss of reserves
7 if the application is not approved today?

8 A 550 million cubic feet of gas.

9 Q Now we have no correlative rights
10 issues here; is that right?

11 A That is correct.

12 Q But if the application is approved, it
13 will prevent waste and promote conservation;
14 is that correct?

15 A That is correct.

16 MR. SCOTT: That's all I have for
17 Mr. Janson.

18 MR. LAMBERT: Any questions from
19 the Board?

20 MR. PRATHER: I have a question.

21 MR. LAMBERT: Mr. Prather.

22 MR. PRATHER: On the green
23 stippled area here, how much acreage is that
24 green stippled area?

1 MR. JANSON: 60.04 acres. It's
2 also indicated on the map at the very bottom
3 down here, too.

4 MR. HARRIS: Let me ask a quick
5 question. I was looking at the -- of course,
6 you all own the rights to the other areas.
7 At what point do you decide, because this
8 looks like it's 30 or 40, if not more, 50
9 percent of the normal well coverage area.
10 At some point do you decide that, well, it's
11 not worth drilling that extra amount for?

12 MR. JANSON: Yes, sir, exactly. We
13 had done reservoir studies in this area and
14 it does vary throughout the whole north field
15 depending on which area, what number
16 formations may be available for completion
17 and may be productive based on the
18 offsetting wells would all be factors involved
19 with that.

20 If you remember, I think some of the
21 early location exceptions we've done, we've
22 done them down to where it has almost been
23 within the offsetting wells and just a few
24 acres and many of those wells were -- some

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1 of those wells have been productive. Not all
2 of them all the time. But we do feel that
3 there are still resources there.

4 We've presented testimony in the
5 last two that the 112 acres that we do not
6 feel that it's adequately draining all those
7 resources.

8 MR. HARRIS: Thank you.

9 MS. QUILLEN: I have two questions.

10 MR. LAMBERT: Ms. Quillen.

11 MS. QUILLEN: Is this an active
12 mining area involved with these?

13 MR. JANSON: That's an abandoned
14 stip mine area probably back pre-1977 even.

15 MS. QUILLEN: Oh, okay.

16 MR. LAMBERT: Any other questions?

17 [No response.]

18 MR. LAMBERT: Anything further, Mr.
19 Scott?

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

22 MR. LAMBERT: Do I have a motion?

23 MS. QUILLEN: Motion to approve.

24 MR. PRATHER: Second.

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

[No response.]

MR. LAMBERT: All in favor signify by saying yes.

BOARD MEMBERS: Yes.

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

MR. LAMBERT: One abstention, Mr. Ratliff.

- - - - -

MR. LAMBERT: I'm calling Docket Item Number 30, a petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well 900123, Docket Number VGOB-12-1016-3091.

All parties wishing to testify please come forward.

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

MR. LAMBERT: You may proceed, Mr. Scott.

MR. SCOTT: Thank you, Mr.

1 Chairman.

2 BY MR. SCOTT:

3 Q Again, Mr. Horn, your name, your
4 employer, and your job description, please.

5 A My name is Phil Horn. I'm employed
6 by Range Resources-Pine Mountain, Inc. as
7 Land Manager.

8 Q You're familiar with this application;
9 is that correct?

10 A Yes, I am.

11 Q You're familiar with the ownership of
12 minerals underlying this unit; is that right?

13 A Yes. Range owns 100 percent of the
14 minerals in this unit.

15 Q We're seeking a well location
16 exception for a number of wells shown on
17 the plat which is attached as Exhibit A to
18 the application; is that right?

19 A That's right.

20 Q Who operates those wells, please?

21 A Range Resources-Pine Mountain, Inc.

22 Q So, as you indicated, Range is an
23 owner and operator; is that correct?

24 A That's correct.

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

3 A By certified mail.

4 Q We provided proof of our mailing to
5 the Board; is that right?

6 A Yes, you have.

7 MR. SCOTT: That's all I have for
8 Mr. Horn.

9 MR. LAMBERT: Any questions from
10 the Board?

11 [No response.]

12 MR. LAMBERT: You may continue,
13 Mr. Scott.

14 MR. SCOTT: Thank you.

15 BY MR. SCOTT:

16 Q Mr. Janson, your name, your
17 employer and your job description, please.

18 A My name is Gus Janson. I'm
19 employed by Range Resources-Pine Mountain,
20 Inc. as the Manager of Geology.

21 Q And you're familiar with this
22 application; is that right?

23 A Yes, I am.

24 Q Would you please tell the Board why

1 we're seeking a well location exception for
2 this particular unit?

3 A Again referring to Exhibit AA, you'll
4 see the location of well 900123 again
5 outlined in red with the stippled area of the
6 areas not included in an offsetting well.

7 Once again this well has been
8 positioned to maximize the recovery of the
9 remaining natural gas resources stranded
10 with relationship to offsetting wells. There's
11 no location available that meets the
12 statewide spacing requirements.

13 In the event the well is not drilled,
14 approximately 73.8 acres of resources would
15 be stranded.

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

18 A 5954 feet.

19 Q What's the potential loss of reserves
20 if the application is not granted today?

21 A 550 million cubic feet of gas.

22 Q Mr. Horn has indicated that Range is
23 the owner of all the oil and gas for this
24 tract; is that right?

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1 A That is correct.

2 Q So we have no correlative rights
3 issues; is that right?

4 A That is correct.

5 Q But if the application is granted, it
6 would prevent waste and promote
7 conservation; is that also correct?

8 A That is correct.

9 MR. SCOTT: That's all I have for
10 Mr. Janson.

11 MR. LAMBERT: Questions from the
12 Board?

13 [No response.]

14 MR. LAMBERT: Anything further, Mr.
15 Scott?

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

18 MR. LAMBERT: Do I have a motion?

19 MS. QUILLEN: Motion to approve.

20 MR. PRATHER: Second.

21 MR. LAMBERT: Any further
22 discussion?

23 [No response.]

24 MR. LAMBERT: All in favor signify

1 by saying yes.

2 BOARD MEMBERS: Yes.

3 MR. LAMBERT: Opposed no.

4 MR. RATLIFF: I'll abstain.

5 MR. LAMBERT: One abstention, Mr.
6 Ratliff.

7 - - - - -

8 MR. LAMBERT: Calling Docket Item
9 Number 31, a petition from Range Resources-
10 Pine Mountain, Inc. for a well location
11 exception for proposed well 900125. This is
12 Docket Number VGOB-12-1016-3092.

13 All parties wishing to testify please
14 come forward.

15 MR. SCOTT: Tim Scott, Gus Janson
16 and Phil Horn for Range Resources-Pine
17 Mountain, Inc.

18 MR. LAMBERT: You may proceed,
19 Mr. Scott.

20 MR. SCOTT: Thank you, Mr.
21 Chairman.

22 BY MR. SCOTT:

23 Q Mr. Horn, you're familiar with this
24 application; is that right?

1 A That's correct.

2 Q Let me ask the first part. Your
3 name, by whom you're employed, and your
4 job description?

5 A I'm Phil Horn, Land Manager,
6 employed by Range Resources-Pine Mountain,
7 Inc.

8 Q And you're familiar with this
9 application; is that right?

10 A Correct.

11 Q You're familiar with the ownership of
12 the minerals underlying this unit?

13 A Yes, I am.

14 Q Those mineral owners are listed on
15 Exhibit B; is that right?

16 A That's correct.

17 Q Who operates the well from which
18 this well location exception is requested?

19 A Range Resources-Pine Mountain, Inc.

20 Q In this particular situation, Range is
21 owner and operator; is that correct?

22 A That's correct.

23 Q Now we do have an unknown in this
24 unit; is that right?

1 A That is correct.

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

4 A By certified mail, but also by
5 publication in the Dickenson Star, October
6 10, 2012.

7 Q We provided to Mr. Cooper both the
8 affidavit of mailing and affidavit of
9 publication; is that right?

10 A That's correct.

11 MR. SCOTT: That's all I have for
12 Mr. Horn.

13 MR. LAMBERT: Any questions from
14 the Board?

15 [No response.]

16 MR. LAMBERT: You may continue,
17 Mr. Scott.

18 MR. SCOTT: Thank you.

19 BY MR. SCOTT:

20 Q Mr. Janson, your name, your
21 employer, and job description, please.

22 A My name is Gun Janson. I'm
23 employed by Range Resources-Pine Mountain,
24 Inc. as the Manger of Geology.

1 Q You're familiar with this application;
2 are you not?

3 A Yes, I am.

4 Q Did you also participate in the
5 preparation of the application?

6 A I did.

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

10 A Again referring to Exhibit AA, you'll
11 see the location of proposed well 900125
12 outlined in red with a green stippled area
13 representing the area in the unit which is
14 not included in the offsetting well unit.

15 This was a little bit different. We
16 located this well. We worked closely with
17 the surface owner of this area. You'll see
18 this well is proposed right adjacent to the
19 Breaks Interstate Park area.

20 We've worked closely with the
21 representatives for the Breaks Interstate
22 Park to position this well so that it does not
23 impinge on their surface use of those lands
24 to the north. This was sort of a mutually

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1 agreed location that we came up with that
2 was suitable for both parties.

3 In the event the well is not drilled,
4 approximately 103.23 acres of reserves would
5 be stranded.

6 Q What's the proposed depth of this
7 well?

8 A 5425 feet.

9 Q And the potential loss of reserves if
10 the application is not granted today?

11 A 550 million cubic feet of gas.

12 Q Now for this particular case if the
13 Board grants our application, it will prevent
14 waste, promote conservation, and protect
15 correlative rights; is that correct?

16 A That is correct.

17 MR. SCOTT: That's all I have for
18 Mr. Janson.

19 MR. LAMBERT: Mr. Janson, the
20 boundary just to the northeast of your red
21 circle, is that the park's boundary?

22 MR. JANSON: Yes. That's the
23 boundary depicted on a USGS topographic
24 map. If you'll refer to the plat, that is

1 actually probably a little more accurate
2 representation of that boundary.

3 MR. LAMBERT: Just for information
4 purposes, that well that sits further east, we
5 can only see part of the surface, is that
6 within park boundaries?

7 MR. JANSON: The one over in this
8 area?

9 MR. LAMBERT: Yes.

10 MR. JANSON: No. The well itself
11 over there I think is outside the park
12 boundary, too.

13 MR. LAMBERT: So none of those
14 other wells are within the park boundary?

15 MR. JANSON: I do not think so, no.
16 The well to the north, which is not a Range
17 well, the EH-55 well, it's in the Jefferson
18 National Park, but I don't think it's in the
19 Breaks Interstate Park boundary.

20 MR. LAMBERT: Even well 822077 is
21 not within the park?

22 MR. JANSON: No. Everything to
23 the south is outside the park boundary.

24 MR. LAMBERT: Any other questions

1 from the Board?

2 [No response.]

3 MR. LAMBERT: Anything further, Mr.
4 Scott.

5 MR. SCOTT: That's all I have, Mr.
6 Chairman.

7 MR. LAMBERT: Do I have a motion?

8 MS. QUILLEN: Motion to approve.

9 MR. PRATHER: Second.

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

12 [No response.]

13 MR. LAMBERT: All in favor signify
14 by saying yes.

15 BOARD MEMBERS: Yes.

16 MR. LAMBERT: Opposed no.

17 MR. RATLIFF: I'll abstain.

18 MR. LAMBERT: One abstention, Mr.
19 Ratliff.

20 - - - - -

21 MR. LAMBERT: Calling item number
22 33. It's a petition from Range Resources-
23 Pine Mountain, Inc. for a well location
24 exception for purposed well 900124, Docket

1 Number VGOB-12-1113-3094.

2 All parties wishing to testify please
3 come forward.

4 MR. SCOTT: Tim Scott, Gus Janson
5 and Phil Horn for Range Resources-Pine
6 Mountain, Inc.

7 MR. LAMBERT: Go ahead and
8 proceed, Mr. Scott.

9 MR. SCOTT: Thank you, Mr.
10 Chairman.

11 BY MR. SCOTT:

12 Q Mr. Horn, again your name, to whom
13 you're employed and your job description,
14 please.

15 A My name is Phil Horn. I'm Land
16 Manager for Range Resources-Pine Mountain,
17 Inc.

18 Q And you're familiar with this
19 application; is that right?

20 A Yes, I am.

21 Q And the owners of the minerals
22 listed on Exhibit B; is that right?

23 A That's correct.

24 Q Who operates the wells from which

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1 this well location exception is requested
2 today?

3 A Range Resources-Pine Mountain, Inc.

4 Q Is Range an owner in this unit?

5 A Yes. We own 54.4 (inaudible).

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

8 A By certified mail.

9 Q We provided proof of our mailings to
10 the Board; isn't that right?

11 A Yes, you have.

12 MR. SCOTT: That's all I have for
13 Mr. Horn.

14 MR. LAMBERT: Any questions from
15 the Board?

16 [No response.]

17 MR. LAMBERT: You may continue,
18 Mr. Scott.

19 MR. SCOTT: Thank you.

20 BY MR. SCOTT:

21 Q Mr. Janson, your name, by whom
22 you're employed and your job description,
23 please?

24 A My name is Gus Janson, employed

1 by Range Resources-Pine Mountain, Inc. as
2 the Manager of Geology.

3 Q You're familiar with this application,
4 are you not?

5 A I am.

6 Q Would you please tell the Board why
7 we're seeking well location exception today?

8 A Yes. Again referring to Exhibit AA,
9 you see the location of proposed well
10 900124. Again outlined in red with the
11 green stippled area representing the acreage
12 outside of the offsetting well units.

13 In this case again we've positioned
14 this well to maximize recovery of the
15 remaining resources stranded with
16 relationship to those existing offsetting
17 wells. There is no location available that
18 meets the statewide spacing requirements.

19 In the event the well is not drilled,
20 approximate 87.97 acres of reserves would
21 be stranded.

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

24 A 6059 feet.

1 Q And the potential loss of reserves?

2 A 550 million cubic feet of gas.

3 Q If the Board approves our application
4 today, it will promote conservation, prevent
5 waste and protect correlative rights; is that
6 correct?

7 A That is correct.

8 MR. SCOTT: That's all I have of
9 Mr. Janson.

10 MR. LAMBERT: Any questions from
11 the Board?

12 [No response.]

13 MR. LAMBERT: Anything further, Mr.
14 Scott?

15 MR. SCOTT: That's all I have, Mr.
16 Chairman.

17 MR. LAMBERT: Do I have a motion?

18 MS. QUILLEN: Motion to approve

19 MR. PRATHER: Second.

20 MR. LAMBERT: I have a motion and
21 a second. Any further discussions?

22 [No response.]

23 MR. LAMBERT: All in favor signify
24 by saying yes.

1 BOARD MEMBERS: Yes.

2 MR. LAMBERT: Opposed no.

3 MR. RATLIFF: I'll abstain, Mr.
4 Chairman.

5 MR. LAMBERT: One abstention, Mr.
6 Ratliff.

7 - - - - -

8 MR. LAMBERT: We're going to
9 rearrange the agenda just a little bit at this
10 point. We're going to call Docket Item
11 Number 40. The Board will consider election
12 rights of the second well in a unit. This
13 was continued from our September hearing
14 for multiple reasons.

15 I think we're here today to address
16 this issue. At the September hearing the
17 issue came up with a second well and
18 election rights in a unit, at which time there
19 was a lot of discussion back and forth on
20 whether or not that should be allowed or
21 should not be allowed.

22 So the Board requested that our
23 Senior Assistant Attorney General do some
24 research and come back to the Board with

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1 an opinion of how the Board should proceed
2 dealing with the election rights of a second
3 well.

4 I'll ask Ms. Pigeon if she has
5 anything to report to the Board?

6 MS. PIGEON: Well, I think that
7 perhaps I have made my thoughts known on
8 this Board and nothing I have found changes
9 that.

10 I do think that election rights for
11 each well are appropriate. I perhaps think
12 that a pooling application should only apply
13 to one well at a time and I believe that's
14 what we previously did.

15 I don't have the historical
16 information to confirm that but I do know
17 that since I've been here it has happened
18 that we have occasionally done more than
19 one at a time.

20 I think that's kind of getting away
21 from the original plan. The statute that
22 addresses the election rights and again I've
23 mentioned this before and I apologize for
24 belaboring the point, but it refers to

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1 authorizing the operation of a well
2 throughout.

3 That is something that I know Mark
4 wants to address as well, but if you look at
5 that election options statute and that's at
6 21, you cross-reference that to actually the
7 definition section and that tells you what a
8 drilling unit will be, one gas or oil well.
9 One.

10 Field rules. They define the drilling
11 unit and the field rules then also say how
12 many wells should be produced under certain
13 circumstances.

14 If we go then -- sorry about the
15 pieces of paper, but I did try to do some
16 research. We go to the chronological history
17 of field orders. Let's see. Looking back at
18 March 1989, Knox and Stones River, one well
19 per unit. Early Groves, March 1989, one
20 well per unit.

21 Nora, January 1989, one well per
22 unit. Oakwood One, April 1990, no more
23 than one well per unit.

24 Conventional, Pilgrims Knob, January

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1 1991, one well per unit. Roaring Fork,
2 February 1996, no more than one well.

3 So to produce more than one well
4 was the exception in the intention of the
5 field rules and I think in the act. I think it
6 should still be treated as an exception, not
7 the general rule, to come and ask for more
8 than one well and that the election rights
9 apply to each well.

10 MR. LAMBERT: Any discussion from
11 the Board on the opinion of the Attorney
12 General -- Senior Assistant Attorney
13 General?

14 MR. RATLIFF: Mr. Chairman, I have
15 a question. So if you come in for the
16 second well, are you saying that you have to
17 give election rights to the first well as well
18 as the second well?

19 MS. PIGEON: No. You would have
20 already given those. You get election rights
21 at the time of the pool.

22 MR. RATLIFF: When you put the
23 second well in, there's election rights again
24 on that well?

1 MS. PIGEON: On that well --

2 MR. RATLIFF: Is that what we're
3 doing?

4 MS. PIGEON: Well, we're having a
5 discussion about that.

6 MR. HARRIS: I think there have
7 been some issues where --

8 MS. PIGEON: We have done that
9 more often than not, but there have been
10 some occasions that Mark and perhaps --

11 MR. HARRIS: Because I think we
12 have a situation where it didn't opt in on the
13 first. We actually have testimony and I
14 know Mr. Swartz I guess will address that,
15 but I think there was a contingent in that if
16 you didn't on the first, then you wouldn't
17 have that option or opportunity to do that on
18 the second one.

19 MS. PIGEON: That was what Mr.
20 Swartz asked the Board to approve. In fact,
21 I think it was this case that we --

22 MR. SWARTZ: There was a
23 particular unit that we had that dialog. But
24 it applies to a number of units. I mean it's

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1 a topic that we've talked about.

2 MS. PIGEON: We've talked about it
3 before and I think I, in doing some of this
4 research, I think I found where -- could it
5 have been '06 or something where you asked
6 for a variation on this, not to have two wells
7 at the same time, but for the second well
8 not to have election options and we did not
9 allow that then. That was I think somewhat
10 informally.

11 MR. SWARTZ: It even dates back I
12 think to the gob wells because we would
13 have all these wells and the argument was
14 the reverse. It was how many wells could
15 you be forced to participate in. You know,
16 in the gob setting, we did a unit --
17 theoretically in a longwall panel, you could
18 have 10 wells. Were you going to make
19 people who wanted to participate buy into 10
20 wells or was there going to be a cap and we
21 reach a general agreement with the Board in
22 terms of no matter how many wells you drill,
23 you're not going to be able to offload more
24 than two or three. I think it was three

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1 probably, you know, on people who wanted
2 to participate. And that was a problem that
3 we had, you know, in the early '90's when
4 the longwall was a big deal.

5 My approach to this is conceptual
6 and not really -- I mean I think the law
7 allows this, but I really started at a little
8 different point than where Sharon does.

9 I think the reason that we are
10 having the second well dialog is because
11 when these field rules were created, the
12 units were too large. We didn't know that.
13 Okay. But we have an Oakwood field which
14 is, you know, 100,000 plus acres divided
15 into 80-acre units; and over 20-some years
16 of development, the technology has changed.
17 Our knowledge of the pool has changed and
18 we have determined that -- and I don't mean
19 just CNX. I mean all of the other operators
20 are here with the same issue.

21 You either -- and I don't know how
22 you undo the Oakwood field. I mean you
23 can't say we're not going to have 80-acre
24 units anymore but now we know that one

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1 well per 80-acre unit is not maximizing the
2 development of that resource in a reasonable
3 way.

4 So we went to infill and we're going
5 to eventually have some infills here and
6 we'll show you some maps here in a minute
7 but we have really -- the infill drilling,
8 which is the second well in a unit, is the
9 solution that the Board fashioned over time.

10 I mean this wasn't something that --
11 what happens is time passes, you know. So
12 we're a decade down the road past infill
13 drilling and collectively I think sometimes we
14 kind of forget, you know, why didn't we do
15 that.

16 I know Mr. Harris and I have been
17 here a really long time. But sometimes I
18 mean stuff happens and I think, well, why
19 didn't we do that. Well, the problem, as I
20 was thinking about this today -- as I was
21 driving down yesterday actually, this is a
22 solution that we came up with to deal with
23 field pools.

24 Our data -- if we were to implement

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1 an Oakwood field rule today, we would do
2 something completely differently. There's
3 nothing -- there's no doubt in my mind that,
4 you know, we would be at a 20-acre or 30-
5 acre or 40-acre unit instead of an 80 and
6 there's probably areas in the Oakwood field
7 where the gas was so dense that, you know,
8 20 acres would not be an unrealistic
9 number.

10 But we established that field. We
11 have all these wells in that field. We have
12 all these people who have vested interests
13 in those units and then to maximizes the
14 recovery, what do we do.

15 Well, the only reasonable solution
16 seemed in the Middle Ridge, the Oakwood
17 and the Nora would be to say you can come
18 in here and ask to drill another well and
19 benefit those people who are in the first
20 unit.

21 So conceptually why did we do this?
22 In my view, we did this because we had a
23 problem. Our units were too big and we
24 solved that size issue by allowing an

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1 additional well.

2 Then we have always had a dialog
3 over many years about what is it that
4 happens when you pool a unit. The pooling
5 orders that we have formed, pooling orders
6 that the Board adopted I'm thinking in the
7 middle '90's. Maybe it was later, but it was
8 a long time ago.

9 So you can actually look, you know,
10 in your forms. We have a pooling order for
11 gob gas. We have a pooling order for frack
12 wells in Oakwood. We had those form
13 pooling orders.

14 In the relief granted section of
15 every pooling order that this Board issues
16 and every form that you all have approved,
17 it says that one of the things that you're
18 doing when you pool a unit is you are
19 pooling all of the gas in that unit.

20 So my view has always been, you
21 know, when you pool a unit and you
22 authorize that first well, the people are
23 given an election opportunity to the extent
24 they're not under a lease but, you know, the

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1 people have an election opportunity to
2 participate in the development of all of the
3 gas under the unit.

4 Okay. Just like the operator has an
5 ability based on that order to develop all
6 the gas in the unit.

7 So when we come in here for a
8 second well, we don't need to re-pool the
9 unit in the sense of do we need to do
10 something to get a right to produce all the
11 gas. We got that day one.

12 So then the question, because we're
13 not really coming in here to get a right that
14 we didn't already have. We're coming in
15 here to get your permission to do another
16 well in that unit. Okay. Because that's
17 always been the Board's preference. If
18 you're going to drill a second well, we want
19 to have an opportunity to look at that before
20 you do it.

21 Then the question -- and we've had
22 this dialog before and I don't know what the
23 answer is, but then the question arises, let's
24 assume somebody participates in the first

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1 well, okay, and that well has been producing
2 and has changed the characteristics of their
3 reservoir in terms of what you're
4 encountering when you drill the second well.
5 And let's assume it changed in a beneficial
6 way and I think there's evidence that that's
7 what happens.

8 So now you've got somebody who
9 invests in the first well. Now we're coming
10 in with a second well and people who did
11 not invest in that first well are now saying
12 we want to invest in the second well. And
13 the question arises whether the only fair
14 solution is to say to that person who
15 invested in the first well, well, you know,
16 you had an election. You elected to
17 participate in the development of the
18 resource within this unit and you now have
19 a right to participate in the second well but
20 nobody else does.

21 Is that the fair way to go or is the
22 fair way to say to the guy in the first well,
23 anybody else who wants to come in, you
24 know, and benefit on the changes in the

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1 reservoir and the data that you've paid for,
2 you know, can come in?

3 I don't know what the answer to that
4 is, but to look at this with an assumption
5 that things that the investment opportunity
6 for the people in the second well is
7 identical to the investment opportunity for
8 the person who went in on the first well. I
9 don't think it's a parallel experience or
10 event. I think that there are legitimate
11 reasons to say to people you're either in or
12 you're out.

13 I mean, you know, the way oil and
14 gas operators deal with each other in these,
15 if you don't participate in the beginning in
16 the front end, you can't back into the
17 acreage when it looks like it was good.
18 Okay.

19 If you participate in the first well
20 and you don't want to participate in the
21 second well, you can take a pass on it, but
22 it's not the reverse, you know.

23 So I think step one is why do we
24 have infill drilling. It's because our field

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1 rules created units that were too big and I
2 don't think there's any doubt about it. It's
3 an administrative solution to a real problem.

4 Then there's the policy decision.
5 What do you do when you come back for the
6 second well in terms of honoring choices
7 that other people have previously made or
8 choices that people now own them. That's
9 a complete policy decision that you guys,
10 you know, are going to have to make. I
11 think, you know, all of the baggage isn't on
12 one side of the scale.

13 Then the last thing just to try to
14 come back to and Sharon can talk about this
15 forever. My question then is does the
16 statute contemplate more than one well in a
17 unit and I would just say that 45.1-361.20 is
18 the code section on field rules and drilling
19 units.

20 Item A-5 or B-5 says the Board
21 shall make the following determinations in
22 any hearing and Item 5 is the area within
23 which wells, with an s on the end, may be
24 drilled on each unit.

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1 I mean there has never been a
2 doubt in my mind that, you know, the
3 statutory framework contemplated that you
4 could have more than one well in a unit.
5 We just part company on that. She can
6 hold up her pieces of the statute and I can
7 hold up mine.

8 But, you know, we have been doing
9 this for a really long time. We really
10 started with the wells that were drilled by
11 mine development. I mean we would
12 sometimes have 10 or 15 wells in a unit for
13 de-gas purposes with regard to the coal. So
14 we've got a 20-year history of multiple wells
15 in the units in practice.

16 I would suggest that to the extent
17 there is any inclination to not allow multiple
18 wells in units, then the next thing you're
19 going to have is we're going to be back
20 petitioning to modify all of the field rules
21 because they're wrong.

22 I mean if we can't fix them this
23 way, we're going to be back. I'm not sure
24 that we want to go there. I don't think it's

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1 efficient, you know, but that's what would
2 happen.

3 MS. PIGEON: But that's not the
4 question. It's not about the Board allowing
5 extra wells. It's about election rights per
6 each well.

7 MR. SWARTZ: And I touched on
8 that and I think that's a policy decision that
9 you've got to make. I think there are good
10 reasons to tell people you had your shot and
11 you should have grabbed it. But, you know,
12 there's nothing in the statute that says that
13 you get multiple election rights or you don't.

14 I mean I think that's a policy
15 decision that you can make as a Board in
16 applying the statute to real life.

17 MS. PIGEON: We can disagree on
18 that forever because the statute says the
19 election options in a well and it says a
20 drilling unit in the definition section of the
21 statute -- or the act says a drilling unit is
22 one gas well. So that seems pretty clear to
23 me.

24 Correlative rights protection is one

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1 of the primary reasons to have field rules at
2 all. In fact, the data now supports allowing
3 infill drilling is one thing, but to not allow
4 election options to me does not track that
5 and I think the protection of correlative
6 rights requires that election options be
7 provided on each well.

8 MR. SWARTZ: You know, if you
9 were the Board, that would be your policy
10 decision. I mean I understand where you're
11 coming from and I'm just suggesting that
12 there is not a statute that says this is how
13 we have to solve this problem and there are
14 good reasons. We've talked about in the
15 past with regard to what do you say to
16 people who participated in the first well;
17 that we're going to let the rest of these
18 people in for half of what it's going to cost
19 you. You ponied up for the first well and
20 now you're ponying up for the second,
21 because you don't want to miss out on the
22 development that you did that's going to
23 make the production from the second well
24 come on faster and harder. I don't know.

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1 I mean I don't think it's a no-brainer. I
2 think it requires some thought and I think it
3 is a policy decision as to what's the fair
4 way to deal with those competing interests.

5 MR. LAMBERT: Any discussions
6 from the Board?

7 MR. PRATHER: How close are these
8 wells apart? In other words, if you get
9 them too close you get well interference
10 from two wells to one well. What kind of
11 distance are we talking about?

12 MR. SWARTZ: Our agreement I
13 think with the Board has always been that
14 we will not be closer than 600 feet and
15 there's some drilling window commitments as
16 well but it's 600 feet, which is consistent
17 with the code.

18 At 600 feet the part of the point of
19 this is that they do interfere to some extent
20 because it enhances -- you know, causes
21 interference in the reservoir and enhances
22 the production. But you're right. You don't
23 want your frack overlapping which is what
24 you're talking about. Right.

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1 MR. PRATHER: The other thing is
2 if you get them too close together, then
3 you're not going to get the plus production
4 on the second well. You're just going to
5 get the average of the two at one time.

6 MR. SWARTZ: Yeah, and if that
7 happens by accident, you know, they're in
8 communication and they'll notice it pretty
9 quickly. But if you keep on firing off --

10 MR. PRATHER: You think you can
11 do this commercially and make money out of
12 it, then go ahead and do it.

13 MR. SWARTZ: It's working, you
14 know. There are lots of these second wells
15 around that have gone well and you guys
16 see the data periodically when we're back
17 here, all the companies. I mean it really
18 does work. The engineering is there.

19 MR. PRATHER: The other question
20 is what percentage of these royalty owners
21 participate in the working end installing
22 these wells. Say take Oakwood, it's next to
23 nothing.

24 MR. SWARTZ: For years it

1 negligent. It was nothing, but it's
2 increasing. I mean, you know, there are
3 people who are starting to participate or be
4 carried and we see that with some regularity
5 whereas the first ten years nobody
6 participated.

7 So it's actually a situation now
8 where people are electing, you know,
9 whereas before they did not.

10 MR. PRATHER: I was wondering,
11 you know, how big a problem is it?

12 MR. SWARTZ: We don't think it's a
13 problem. I didn't file this petition. Okay.

14 MR. PRATHER: What I'm saying is
15 --

16 MR. SWARTZ: It's not going to
17 happen real often.

18 MR. PRATHER: If it's one out of
19 100, it's not much of a problem.

20 MR. SWARTZ: I don't know if it's
21 that small an issue but it is not -- there are
22 not people waiting in line to write checks to
23 participate in these units, but it's starting to
24 happen with more frequency than it did in

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1 the past.

2 MS. PIGEON: And you stated -- I
3 think I understood what you were saying.
4 When it's between operators it's generally by
5 contract anyway, not an elections under the
6 statute.

7 MR. SWARTZ: If operators have
8 acreage that they want any area of mutual
9 interest that they want to develop, they
10 would enter into an agreement called Joint
11 Operating Agreement and there are standard
12 forms for Operating Agreements that people
13 tinker with and there are Accounting
14 Agreements that go with that. Generally
15 those agreements would provide contractually
16 what I've just described, that, you know, you
17 get one crack at a well. You can't come in
18 later when you know it's a good one.

19 So you get your first crack at the
20 well. Once you're in a well, you can't be
21 shoved out but you don't necessarily have to
22 participate in deepening the well or re-
23 completing the well or whatever. The
24 contracts would address that.

1 We do not -- we have -- I don't
2 think anybody, with the possible exception of
3 Mr. Harris, I don't think any of you were
4 here. Initially we tried to sell the Board on
5 a Joint Operating Agreement to address this
6 kind of a problem so that if people
7 participated, we had a Joint Operating
8 Agreement and the COPAS which is the
9 accounting piece that goes with it.

10 The Board did not go for that idea.
11 Okay. But it had -- there was some -- there
12 would have been some beneficial side
13 effects of adopting sort of this is the
14 Board's Joint Operating Agreement for
15 people who participate or elect to be carried
16 because it really would spell out the
17 accounting in detail and spell out the
18 relationship.

19 But I think, you know, those are
20 massive documents, highly complex, and I
21 think the Board then took the position that
22 it was maybe killing, you know, a flea with
23 a sledge hammer, you know, and they didn't
24 really -- let the operators deal with that

1 rather than solve that problem.

2 So we've never had that, but I know
3 in the '90's periodically we would come in to
4 the Board and try and push that.

5 MS. PIGEON: So the statutory
6 options primarily affect citizens, not other
7 operators?

8 MR. SWARTZ: We wanted a
9 contractual framework that applied to
10 everybody. These statutes apply to the
11 operators. I mean if you have leased
12 acreage and it's a unit that is pooled, you
13 have election options under the statute,
14 because you see us pool other operators. I
15 mean we do it.

16 MS. PIGEON: You have a contract
17 that provides otherwise.

18 MR. SWARTZ: You know, you
19 probably have enough experience with all of
20 us to know that we get along but we don't
21 necessarily love all of our other operators.

22 MS. PIGEON: I'm sure.

23 MR. SWARTZ: So we often are in
24 units where it's the statute that governs our

1 interaction with other operators and the
2 same laws apply to the operators that apply
3 to the people.

4 MS. PIGEON: So that doesn't
5 change contractual relationships and you
6 have an Operating Agreement with many of
7 them.

8 MR. SWARTZ: No. What I'm saying
9 is if we force pool equitable because they
10 have leased acreage in a unit that we're
11 trying to pool and we don't have an
12 agreement with them.

13 MS. PIGEON: There's a difference
14 though. That's what I'm saying. A lot of
15 times you have a Joint Operating Agreement.

16 MR. SWARTZ: You'd be surprised
17 how seldom that is. People try to build the
18 block of acreage and develop it. There's
19 not a lot of -- you know, at the margins
20 maybe, but there's not a lot of, well, let's
21 do this together.

22 Well, it's just not the corporate
23 culture. I mean you're trying to stake out
24 your turf just like in the coal reserves and

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1 so forth. I mean that's the way it works.

2 So there is, you know, squaring of
3 lines, boundary, some acreage where people,
4 you know, resolve those issues. But in
5 general, no, we don't. We would not have
6 an agreement with the other people.

7 MS. PIGEON: That's kind of CNX's
8 policy -- I mean Range Resources.

9 MR. SWARTZ: No, it's not. I mean
10 I remember when we were doing the
11 Oakwood field rules and developing the
12 Oakwood field back in the early '90's.
13 There was Island Creek and there was
14 CONSOL and essential their coal leases
15 tried to follow a line but really didn't follow
16 that line and we squared up that line so it
17 was a straight line from north to south and
18 tried to get it consistent with the boundaries
19 of the Oakwood field.

20 So when we started developing gas,
21 it was over reserves that we controlled and
22 mining that we were likely to have. Where
23 boundaries occur you're going to want to
24 reach some kind of contractual agreement to

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1 make it safer, to make it more predictable.
2 But those are the exception rather than the
3 rule.

4 MR. LAMBERT: Okay. We've heard
5 discussions from Ms. Pigeon. We've heard
6 discussions from Mr. Swartz. If we were
7 paying attention this morning during the
8 public comment period, we heard some pretty
9 good background on this issue.

10 Is there any more discussion that
11 this Board needs to have before I call for a
12 vote on how we proceed forward on this
13 issue?

14 MR. RATLIFF: Mr. Chairman, one
15 question. When you notice for the second
16 well, you notice everyone that's got an
17 interest in that unit?

18 MR. SWARTZ: Correct.

19 MR. RATLIFF: Do you mention
20 election options in that notice?

21 MR. SWARTZ: Do we notice the
22 election option in the second. I think we
23 do. We notice everybody. Let me see if I
24 can find the one for today.

1 Sometimes when we come back for
2 a second well, we're solving more than one
3 problem though. I'm going to see if this
4 answers your question. It will take a
5 moment to load here. I'm sorry.

6 MR. RATLIFF: So when you say
7 notice, you're sending out what we have in
8 our Board package?

9 MR. SWARTZ: Right.

10 MS. PIGEON: I think that's what
11 they send out on the first or second or any
12 well. It isn't a different notice style; is that
13 correct?

14 MR. SWARTZ: Yeah. The Notice of
15 Hearing. We've got a re-pooling on the
16 docket today because we would normally
17 notice it as a re-pooling. So if you'll look
18 at CC-36, the last item that CNX has on
19 your docket, the notice there, proposed
20 provisions -- it's relief sought, re-pooling,
21 and then proposed provisions of order.

22 B is establishing a procedure
23 whereby each respondent shall have the
24 right to make elections. So I think people,

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1 you know, are on notice that those are the
2 kids of provisions that could be in an order.

3 MR. LAMBERT: Is that the same for
4 the second well? I mean here it says re-
5 pooling.

6 MS. PIGEON: They've not been 100
7 percent consistent. Number 34 is a
8 modification of Nora.

9 MR. SWARTZ: But that's not a
10 pooling.

11 MS. PIGEON: Right. That's what
12 I'm saying.

13 MR. SWARTZ: We would never
14 address this in that.

15 MS. PIGEON: What about, you
16 know, two different ways to look at it.

17 MR. SWARTZ: The problem, you
18 know, we use the same notice. We need to
19 touch all the bases. Okay. But we
20 sometimes are back here because we may
21 have missed a tract and we've talked about
22 this before.

23 So we've discovered in our due
24 diligence that we missed somebody that we

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1 didn't pool. So we're back here. We're not
2 adding a well. We're adding somebody that
3 our title people missed and they never got
4 an election right ever. So they absolutely --
5 I mean we've had this discussion with you
6 guys a lot.

7 Sometimes we're back here where a
8 boundary is changed and people had election
9 rights but they had a given percentage.
10 Now the boundary is moved and people --
11 not that we missed anybody. They're the
12 same people but the boundary has moved;
13 and now that the circumstances have
14 changed, are they entitled to another
15 election. So yeah.

16 So we pretty much -- this is -- we
17 try to give people a heads-up.
18 Constitutionally you're entitled to due
19 process.

20 MS. PIGEON: Yes, you are.

21 MR. SWARTZ: The reason we do
22 this is we say these are the kinds of things
23 that might be addressed at that hearing so
24 that you are on notice of that. So I mean

1 pooling, A, pooling all interests and estates,
2 B, establishing a procedure whereby each
3 respondent shall have a right to make
4 election; C, providing if you don't make an
5 election and D and E and so forth.

6 MR. LAMBERT: Now we understand.
7 We've done that on several occasions.

8 MR. SWARTZ: Well, we have to.

9 MR. LAMBERT: We're talking -- I
10 think in this case, Mr. Swartz, if you just
11 take Docket Item Number 34 where you're
12 adding a second well. That's all we're
13 doing.

14 MR. SWARTZ: Actually I think in --
15 did we miss CC-36. We missed somebody in
16 CC-36.

17 MS. PIGEON: Is it only going to
18 affect one person? Is that what you're
19 saying?

20 MR. SWARTZ: I haven't looked at
21 all the math but it definitely affects one
22 person.

23 MS. PIGEON: That definitely affects
24 one if it doesn't move everyone's boundaries

1 around.

2 MR. SWARTZ: If you give somebody
3 a piece of a unit, it's going to affect some
4 other people because it's 100 --

5 MS. PIGEON: Not necessarily
6 everybody.

7 MR. SWARTZ: Not necessarily
8 everybody. Right.

9 MS. PIGEON: It would be within a
10 larger boundary.

11 MR. SWARTZ: It's within a larger
12 boundary. So it affects the person that we
13 missed and the people whose tract the
14 larger boundary is within. So it affects that
15 number. In CC-36 a number of people. So
16 there will be an election issue.

17 MS. PIGEON: For those.

18 MR. SWARTZ: In regard to the
19 people we missed and with regard to the
20 people whose acreage --

21 MS. PIGEON: Right, but not the
22 whole unit?

23 MR. SWARTZ: Because the
24 percentages would be the same.

1 MS. PIGEON: Unlike 34, it's not a
2 pooling. A couple months ago -- we were
3 not here for a couple of months. So it was
4 the month before that, but it's been within
5 the past four or five months, you have an
6 application and you proposed two wells from
7 the jump start.

8 MR. SWARTZ: Oh, we do that.
9 That's not an infrequent occurrence. It's
10 not every time but --

11 MS. PIGEON: It has become not a
12 infrequent occurrence. It didn't use to have
13 them. We used to see you'd have a
14 standard application. Then we might have a
15 re-pooling to add a second well. Now we're
16 seeing something that's new.

17 MR. SWARTZ: Well, I have this
18 kind of make one trip mentality. So if I
19 have -- no, I mean seriously. If I have --
20 if my client has an opportunity to drill two
21 wells and they know they want two, just from
22 the standpoint of efficiency and cost for
23 everyone, we try to come over here and do
24 it, you know, up front.

1 MS. PIGEON: And the Board has
2 the power and authority to modify the field
3 rules to allow that and they, based on
4 historical information, they have allowed
5 that. But what we're looking is allowing the
6 election options for each of those whether
7 you come in here one trip or two trips.

8 MR. SWARTZ: We have a policy
9 difference, you and I, on how that should be
10 handled. I mean I -- you know, I totally
11 understand.

12 MS. PIGEON: Okay. I just wanted
13 to make sure we're talking about the same
14 issue here.

15 MR. LAMBERT: Mr. Ratliff raised a
16 good point and probably Mr. Swartz and Ms.
17 Pigeon can address it. Docket Number 34,
18 item number 6, your interest or claim in the
19 unit sought to be created by this application
20 for claims to coalbed methane gas. That in
21 no way allows for an election option, does
22 it?

23 MR. SWARTZ: Because we're not
24 pooling people. Hand me that map.

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1 I haven't studied this entire map in
2 great detail, but the two infill units or items
3 that we're talking about today, actually item
4 34 is Nora AX-99.

5 We were here a long time ago to do
6 an infill modification for Nora for this dark
7 blue area. Okay. We came to that hearing
8 seeking to allow operators to drill a second
9 well in that entire blue area and we included
10 this light blue area.

11 A person showed up with an ax to
12 grind and absolutely argued and argued and
13 argued about AX-99 and we just said we
14 need to move on, we need this to happen,
15 we will withdraw AX-99.

16 So we took that person's information
17 who claimed to be an owner in that unit that
18 we had not noticed. So we're back to the
19 Constitution. You know you need to tell
20 people.

21 MS. SIMMONS: That was me that
22 was here.

23 MR. SWARTZ: We did the title. We
24 did the title. The person had no interest.

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1 So we're back here, I don't know, a year or
2 more later and I believe we have noticed
3 everybody and so we've got all of this
4 created to drill where we've got permission
5 to drill two wells and we're trying to drill a
6 second well in this unit.

7 I'm sure I know there are people
8 here on this and we'll have a big discussion
9 about what happened the first time around.

10 We have done this in the Middle
11 Ridge. You know, we've been here over and
12 over and over again. This is a -- and if we
13 get the permission from the Board to do a
14 second well before we have a first well,
15 there's a good chance that we'll come and
16 ask to and make one trip.

17 MR. LAMBERT: I think we've still
18 not got to the question and it boils down to
19 election rights on the second well. We
20 talked about it and we've agreed that second
21 wells are allowed but we're still trying to
22 address the issue of election rights on
23 second wells.

24 MR. SWARTZ: Right.

1 MR. LAMBERT: In a nutshell that's
2 where we are.

3 MR. SWARTZ: That's where we are.

4 MS. PIGEON: My position is a
5 modification. The field rules have
6 historically, like I pointed out, said one well
7 per unit. Previously you were saying --

8 MR. SWARTZ: That's why you need
9 a modification.

10 MS. PIGEON: Exactly. That is
11 exactly why you need a modification but that
12 means you're modifying the number of well,
13 not changing the right to election rights.

14 MR. SWARTZ: But the field rules
15 don't address election rights. The field
16 rules say this is what the units are going to
17 look like and this is how you're going to
18 develop gas in that area.

19 If you want to change the way you
20 develop gas in that area, to wit, drilling a
21 second well, you need to come back and
22 modify it.

23 But it doesn't address -- you know,
24 this is a modification to modify a field rule,

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1 not to pool anybody, not to drill a second
2 well. I mean it's to modify to give us
3 permission but we have to come back to you
4 again on the pooling piece of this to do that
5 and we're not here on that.

6 MS. PIGEON: The election rights
7 statute says per well.

8 MR. SWARTZ: But we're not here
9 on a pooling. Docket Item Number 34 --

10 MR. LAMBERT: We're not talking
11 about Docket Item Number 34 right now.

12 MS. PIGEON: We're just talking in
13 general.

14 MR. LAMBERT: Yeah, we're just
15 talking about in general election rights on a
16 second well. That's all.

17 MR. SWARTZ: And I've said
18 everything that I could possibly say. It's a
19 policy decision. You guys need to do what
20 you feel is right.

21 MR. HARRIS: Mr. Chairman, are we
22 ready to make a motion.

23 MR. SWARTZ: Ladies and
24 gentlemen, if you would please keep your

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1 discussions down. Our reporter needs to be
2 able to hear real good what goes on here.
3 Thank you.

4 If there's no further discussion
5 before the Board, do I have a motion?

6 MR. HARRIS: Mr. Chairman, I'd like
7 to make a motion that when we have
8 additional wells to units, as we've been
9 discussing, that all participants that we
10 require they be given complete election
11 options, including the option to participate.
12 Even if they didn't participate in the first
13 well that they be given options to participate
14 in additional wells.

15 MR. LAMBERT: I have a motion.
16 Does anybody have a second?

17 MS. QUILLEN: Second.

18 MR. LAMBERT: Do I have any
19 further discussion?

20 MR. PRATHER: Yeah. I'd like to
21 say one thing.

22 MR. LAMBERT: Mr. Prather.

23 MR. PRATHER: What was I
24 thinking. A senior moment. That's all right.

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1 Go ahead. I know what I was going to tell
2 you. These CBM wells when they come on
3 production the first six months you have no
4 idea what that well is going to be, because
5 it starts at zero on the first day on line.
6 So it comes up.

7 It looks to me like if the timing
8 goes on line and make that evaluation, they
9 have no idea what they're looking at
10 because it's going to be six or eight months
11 down the road before that well tells them
12 anything. So who would make that decision
13 to join in on these things if you didn't know
14 that.

15 MR. LAMBERT: I think they run the
16 risk.

17 MR. HARRIS: Well, any investment
18 is a risk.

19 MR. PRATHER: But I mean with this
20 you know nothing.

21 MR. HARRIS: If people didn't
22 participate in the first and they decide that
23 I think I want to a chance to do that and
24 there was a second well, I think they ought

1 to have an opportunity to do that and that's
2 what my motion is, that they have that
3 opportunity.

4 MR. LAMBERT: I have a motion and
5 I have a second. Any further discussions?

6 [No response.]

7 MR. LAMBERT: Do we need to poll
8 the Board?

9 All in favor signify by saying yes.

10 BOARD MEMBERS: Yes.

11 MR. LAMBERT: Opposed no.

12 [No response.]

13 MR. LAMBERT: The motion is
14 carried.

15 Ms. Davis.

16 MS. DAVIS: I just want to know
17 how we're going to track payments on two
18 wells under one Docket Number and one they
19 make an election on and one they may not.
20 You're going to talk about different types of
21 pay-outs. So I guess the Board needs to
22 think about that.

23 MR. LAMBERT: That's a good
24 question. We'll address that just a little bit

1 later.

2 MS. DAVIS: That's fine. I just
3 wanted to bring it to your attention.

4 MS. PIGEON: That's one of the
5 reasons that I personally would have
6 preferred that they get only one well per
7 application. So it can be very clear, these
8 are the costs, these are the percentages,
9 these are the people who chose the election.

10 MS. DAVIS: And you may be able
11 to do that going forward.

12 MS. PIGEON: I understand the
13 point, too, of conservation of resources.

14 MR. SWARTZ: We've already pooled
15 those people. We don't need it. I'm
16 serious. I'm not joking.

17 MS. PIGEON: We're talking about
18 paperwork right now. Not your paperwork.

19 MR. SWARTZ: The point has
20 occurred. The question is how do you keep
21 track of the production is what Diane is
22 asking.

23 MR. LAMBERT: We're calling Docket
24 Item Number 34, a petition from CNX Gas

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1 Company, LLC to modify the Nora Coalbed
2 Gas Field to allow for a second well to be
3 drilled in Unit AX-99, Docket Number VGOB-
4 89-0126-0009-79.

5 All parties wishing to testify please
6 come forward.

7 [The witnesses were sworn.]

8 MR. LAMBERT: Ms. Duty, you're
9 still sworn.

10 So, Mr. Swartz, you may proceed.

11 BY MR. SWARTZ:

12 Q Please state your name?

13 A Anita Duty.

14 Q Who do you work for?

15 A CNX Land Resources.

16 Q This is a petition to modify the Nora
17 rules; is that right?

18 A Yes.

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

21 A The notice and location map
22 certified mail, return receipt requested on
23 November 16, 2012. Published the notice
24 and location map in the Bluefield Daily

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1 Telegraph on November 21, 2012.

2 Q Have you provided the Director with
3 your certificates with regard to mailing and
4 the proof of publication?

5 A Yes.

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

8 A No.

9 Q Do you want to dismiss anyone?

10 A No.

11 Q This is a request to modify the Nora
12 rules but with regard to only one unit;
13 correct?

14 A It is.

15 Q What unit is that?

16 A AX-99.

17 Q Earlier I showed the Board a map
18 with reference to another docket item. Can
19 I just ask you if you could confirm this is a
20 map of portions of various fields in
21 Southwest Virginia?

22 A Yes.

23 Q The dark blue area, what's that a
24 piece of?

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1 A That's the prior infill application
2 that we had filed in Nora.

3 Q There's one light color blue in
4 there.

5 A Yes.

6 Q Is that when we modified the Nora
7 to allow for drilling of a second well in the
8 dark blue? Why was that pulled out?

9 A Because there was discussion as to
10 the ownership within that unit.

11 Q So to facilitate getting something
12 accomplished that day, we agreed to
13 withdraw that unit?

14 A We did.

15 Q And we're asking today that it be
16 put back in and that we have an opportunity
17 to drill a second well; is that correct?

18 A Yes.

19 Q With regard to that, in addition to
20 identifying the unit by name in your
21 application, did you also as required by
22 statute describe the boundaries of this unit
23 using the state plain coordinate system?

24 A Yes.

1 Q That was something that you put in
2 your application at paragraph 7; correct?

3 A Yes.

4 Q How many acres are affected by
5 this?

6 A Eighty.

7 Q So it's a standard Nora 80?

8 A Yes.

9 MS. PIGEON: It's not standard if
10 it's 80.

11 MR. SWARTZ: It's a 60.

12 MS. DUTY: Yes.

13 BY MR. SWARTZ:

14 Q So the acreage should be 60 instead
15 of 80; correct?

16 A Yes.

17 Q The only relief that you're
18 requesting today is to be allowed to drill a
19 second well in this unit; correct?

20 A Yes.

21 MR. SWARTZ: That's all I have.

22 MR. LAMBERT: Any questions from
23 the Board?

24 Okay, ladies and gentlemen, I've got

1 about five of you there. I'd like for you to
2 pick at least two that will speak for you so
3 we don't have to hear from five people. I'm
4 sure you all have the same issue objecting
5 to the well; is that correct?

6 MS. RATLIFF: Yes.

7 MR. LAMBERT: Could you select a
8 spokesperson or two.

9 MS. RATLIFF: Well, I'm going to
10 speak one way or the other.

11 MR. LAMBERT: Ma'am, go ahead.

12 MS. RATLIFF: Okay.

13 MR. LAMBERT: State your name for
14 the record please.

15 JANET RATLIFF: Janet Ratliff. I'm
16 a heir in the Moses Davis AX-99. The well
17 was put in March 26, 1989. You all sent to
18 my children but you didn't even send me one
19 to notify me.

20 MARGARET RATLIFF: No, that was
21 the last time, mommy.

22 MS. RATLIFF: I was never notified
23 on March the 26th, 1989. You all dug that
24 well and it's been pumping ever since. I

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1 received a penny and I took that as an
2 insult to this day. You all won't agree to
3 pay us. Not a one of us. Then you all are
4 wanting to drill another well. How backward
5 do you all think we are, because if you
6 won't pay for the first one, they're not going
7 to pay you for the second one. That's a
8 fact.

9 They even sent wanting my Social
10 Security number in 2004 and I told them I
11 didn't get my call and I didn't give my
12 Social Security Number out and they said
13 well, could try to (inaudible).

14 Well, I never got nothing but a
15 penny and I know that well has produced
16 more than that. Why would anybody give
17 permission to drill another one. I live right
18 below it and I can tell you I've been going
19 back there. I'm going when I get back there
20 this afternoon and you all had better not
21 started nary well back there without us
22 because you don't have right to.

23 You can say what you want to, but
24 now after 23 years we've not got a penny

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1 out of that gas well and today they say
2 there's 40,000 in it. There's an old saying,
3 there's a monkey in the woodpile somewhere
4 and I'm going to find out where that money
5 is going to because we're going to get an
6 attorney and we're not getting nary one from
7 around here.

8 I've done spoke to one in east
9 Virginia. We're going to have to have an
10 attorney and he's going to find out where
11 it's at. So we need to know where our
12 money is. I don't know why they have the
13 gall to call and sent letters wanting to drill
14 and give them permission when they've not
15 paid you the first time.

16 So that's what I've got to tell you.
17 But there better not be nary other well put
18 in until we are paid.

19 MARGARET RATLIFF: My name is
20 Margaret Ratliff. Janet is my mother. I
21 don't want to take up a lot of time because
22 I'm going to come straight to the point.

23 This well was supposed to have
24 been put in in 1989. At that time I was 27

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1 years old. It has been in 23 years. I was
2 never notified. Several year later, well, in
3 the past few year we was notified and I
4 can't understand why that in 23 years
5 they're telling us there's only 40,000 in it
6 and we know for a fact the pump went out
7 on it here a while back and they put a new
8 pump in it.

9 If the well is not pumping full
10 capacity, why would you put a new pump in.
11 So that's all I've got to say. There has to
12 be more than 40,000 in it.

13 Like I said earlier, I feel like my
14 mother and my father, bless his soul, he's
15 done gone on, he passed away in '99 and I
16 feel like that my mother -- whether I get a
17 dime of it or not, I feel like my mother's
18 eligible for it. Like I said before, you didn't
19 pay me for the first well. I'm not signing
20 for no next well. And the first well I was
21 never notified about.

22 KAREN SIMMONS: My name is
23 Karen Simmons. As Mr. Swartz announced
24 some was here the last time, that was me

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1 and I do have a right. I represent my
2 father, Floyd Davis, Floyd Holland Davis if
3 you're looking at your list of heirs on there.

4 We do exist and do have a right.
5 I had a certified letter from him at the time.
6 I have one today, too, if you would like to
7 see it, Mr. Swartz. So we do have a right
8 to -- what are we modifying? Can anyone
9 show me what we're modifying. I'd like to
10 see the paper we're modifying. We can
11 make that simple.

12 MR. LAMBERT: It's public records.
13 You can --

14 KAREN SIMMONS: No, we can't.
15 No one has been able to -- your gentleman
16 right there I talked to before, he can't get
17 me one. He will mail it to me.

18 MR. LAMBERT: You're asking what
19 we are modifying. We're modifying field
20 rules and those field rules are public
21 information posted on the website.

22 KAREN SIMMONS: They've had to
23 have permission to drill the first well and
24 none of us have seen that permission.

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1 We have asked over and over when
2 I was here before I asked. We've asked
3 CNX Gas for it. We've asked here from the
4 Board. We've asked Dave Asbury. Now he
5 did tell me that he would send it to me, but
6 I would like the Board to give a date that I
7 will have it by because I really feel
8 uncomfortable leaving here when I've been
9 here before and everyone promises to send
10 it.

11 I don't understand why, if CNX can
12 know who the heirs are and CNX can know
13 that they have permission to drill the well,
14 obviously it's a well that's producing right
15 now and it's open. So that file should be
16 sitting where anybody can get their hands on
17 it.

18 I don't understand with all the
19 requests why we can't see who gave
20 permission to drill that well. When they're
21 saying the heirs didn't come before, we
22 knew nothing about it.

23 My parents first got notice in '04 --
24 I take it back. It wasn't even '04. '08.

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1 That well was approved in '89 supposedly.
2 In '08 is when my father got notice. So we
3 had no way to know to come and say do it
4 or don't do it. We were not notified.

5 I'm sorry. I just talked to someone
6 out here that has said that they have
7 applied for a class action against CNX
8 because of taking people money and don't
9 know what they're doing. They went to a
10 hearing. They went to a hearing on the
11 30th. They're waiting for a decision. I
12 really hate to think that all of the people
13 here and all of our family have to join
14 together and do that.

15 We just asked them to show us the
16 document. Tell us who told you you could
17 drill. No one has been able to do that.

18 MR. LAMBERT: Anything on that,
19 Mr. Cooper?

20 MR. COOPER: I told them I would
21 do a little research and put a package
22 together. I have their numbers and I will
23 mail that to them. We can converse and
24 meet or whatever is necessary, but I will put

1 that package together and provide it.

2 MR. SIMMONS: This should have
3 been here at this meeting.

4 MR. LAMBERT: Sir. Sir. You need
5 to address the Board.

6 MR. SIMMONS: These people here
7 are coming in because they're suffering,
8 getting tired of people taking their money
9 because they can do it.

10 You know, I'm not here trying to be
11 a bad guy. All I'm trying to do is help the
12 folks that are here that need help.

13 I'm not asking for your money. All
14 they're asking for is the truth. If you're
15 going to take the oil out of their ground and
16 gas or whatever the situation is, why aren't
17 they getting paid for it. Can anyone just
18 answer me that question?

19 MR. SWARTZ: Yes.

20 MR. SIMMONS: You want to dig
21 another well?

22 MR. SWARTZ: I can answer that.

23 MR. SIMMONS: Excuse me one
24 minute.

1 MR. LAMBERT: Sir, come forward.
2 We need your name for the record.

3 MR. SIMMONS: Bobby T. Simmons.

4 MR. LAMBERT: I would ask that all
5 you folks at the table or testifying, please
6 keep your voices down. These are legal
7 proceedings. If we can't do that, I'm going
8 to stop the hearing and ask you to leave.
9 Now you may continue.

10 MR. SIMMONS: I'll just go ahead
11 and wait to see what he has to say so I can
12 rebuttal.

13 MR. SWARTZ: They're in two tracts,
14 one teeny tiny feed tract which is the penny
15 and one tract that is almost 25 percent of
16 the unit, which is \$40,000 and change in
17 escrow. So there are two tracts, not one.

18 MS. PIGEON: And they're in escrow
19 because there is --

20 MR. SWARTZ: That's the answer.
21 That's why you would get a check for a tiny
22 little amount. Anita can get to that, but it's
23 1/280th of a tiny piece of acreage is the fee
24 tract. Then there is, you know, a

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1 comparable one 1/280th of a tract that is in
2 conflict which is in escrow and the \$40,000
3 is obviously with the large tract escrow and
4 the reason there's a tiny little bit of money
5 coming out to people is because the feed
6 tract does not require escrow.

7 So to answer your question, why are
8 you getting a tiny check and not a bigger
9 check, that's the answer and it's in the title
10 work that's in the original order and in the
11 supplemental.

12 But just to sort of move back here,
13 we're not here to pool the second well.
14 We're here to modify the field rules to bring
15 that piece of light blue into consistency with
16 the dark blue and that's why we're here.

17 MR. SIMMONS: To rebuttal that, if
18 it's only bringing pennies to these folks, why
19 tear up their land if it's only bringing
20 pennies.

21 MR. SWARTZ: I don't believe we're
22 on their land, either the one existing or the
23 one that's planned.

24 MR. LAMBERT: It's not on their

1 land?

2 MR. SWARTZ: No.

3 MS. SIMMONS: We have 58 acres
4 instead of 60. It's 58 acres and the portion
5 of that land, 25.45 percent, is ours. Now
6 that's what the records show that we've
7 researched and found.

8 So what he has, I don't know.
9 That's what I have. So you guys may
10 research and find different. That's what I've
11 been able to find.

12 Since 1989 CNX Gas Corporation
13 has been taking gas from my family's
14 homeland without compensation. In fact,
15 they have degraded our property with
16 careless construction of the existing well by
17 allowing boulders and rip-rap cascading onto
18 our property.

19 Further, we have requested from
20 CNX and the VGOB staff, David Asbury, a
21 copy of the lease, which I went through that
22 already.

23 It is clear where CNX proposes to
24 put an additional well, while the CNS staff,

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1 appears to be accommodating, they have
2 never delivered what has been requested or
3 even responded when they say they will.

4 So we have contacted them, too, to
5 try to get them to help and they do not. So
6 I can tell you from the list that my parents
7 actually have checks which have never been
8 cashed. We have not cashed the checks
9 because we've never given permission to
10 drill there, nor any of the family members
11 on that list that we have been able to
12 contact have said they've given them
13 permission.

14 That's why we're all so upset so you
15 can understand. No one has been able to
16 tell us who gave CNX the permission to drill
17 on our family's land.

18 MR. LAMBERT: Ms. Duty, do you
19 have a copy of those notifications?

20 MS. DUTY: The notification of this
21 hearing?

22 MR. LAMBERT: No. The original
23 ones that --

24 MS. PIGEON: The permit application

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1 is probably what we need to look at to see
2 where the well is.

3 MR. COOPER: We don't bring all of
4 our files with us.

5 MS. PIGEON: But you can find that
6 information.

7 MR. COOPER: Right.

8 MS. PIGEON: If anyone wants to
9 look at it, all they have to do is look at the
10 permit.

11 MS. SIMMONS: So I can go to the
12 public records; is that what you're saying?

13 MR. LAMBERT: Right down the hall.

14 MS. SIMMONS: I can do that.

15 MS. PIGEON: That is information
16 that is maintained as a public record, public
17 access. You can not only see it, you can
18 get copies of it.

19 MS. SIMMONS: I just tell them AX-
20 99.

21 MS. PIGEON: You want the permit
22 file I believe is what she would want to see
23 and see whose land specifically the well is
24 drilled on. That's who gives permission.

1 MS. SIMMONS: Okay. Thank you
2 very much. I didn't know that. I'll go look
3 at that.

4 But just so you know on the well,
5 on 10/25/08 my father received a check for
6 \$4.61. On 11/19 of '09 he got 89 cents.
7 On 10/19 of '10 he got 66 cents. On
8 11/19/10 he got 4 cents. On 10/13/11 he
9 got 63 cents. Then 8/13/12 he got 34
10 cents.

11 In all these years a total of \$7.19.
12 I'm sorry. I find it really hard to believe.
13 I would like to know how much money have
14 they paid out to AX-99 in royalties over
15 those ten years total.

16 MR. LAMBERT: We will help you
17 with that if you will take the time to come
18 down and sit with Mr. Cooper and take time
19 to do that. It may take a few minutes but
20 Mr. Cooper and staff will be happy to
21 explain it.

22 MS. SIMMONS: Okay.

23 MR. LAMBERT: Just call him and
24 set up an appointment with Mr. Cooper.

1 He'll certainly be able to explain to you how
2 the tracts are split and folks' interest in the
3 tracts differ.

4 MS. SIMMONS: And I appreciate it.
5 I think a lot of it is not understanding. So
6 we can get someone, instead of just ignoring
7 us. You know when you ignore people, they
8 don't go away. They get angry. But if you
9 talk to me and say to me you go look, I will
10 gladly do that. If you don't have it, tell me
11 that and I'll go when I leave here and I'll
12 find what I'm looking for.

13 MR. LAMBERT: If that has
14 happened to you in the past from the staff,
15 we certainly apologize and Mr. Cooper will
16 sit down with you and make that right for
17 you.

18 MS. SIMMONS: I appreciate that.
19 But we do ask, please do not give them
20 permission to drill another well on our
21 family's land. We would like to get this
22 straight to see where it comes from and give
23 us a chance.

24 I don't want them to drill on our

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1 family's land, our ancestors. It is our
2 family's land. It is not CNX's land. I don't
3 feel that they have the right to put
4 something else on there when the majority of
5 us ask you please do not let them.

6 MR. LAMBERT: Mr. Swartz, do you
7 know for a fact that this well is not on their
8 property?

9 MR. SWARTZ: Yes. I'm looking at
10 a plat.

11 MR. LAMBERT: You're looking it
12 up?

13 MR. SWARTZ: I'm looking at the
14 first well. It's not on their tract. I have
15 been told where the second well is likely to
16 be and it's even further away.

17 MS. SIMMONS: We didn't sign
18 anything for the first well.

19 MR. LAMBERT: What Mr. Swartz
20 has just testified to is that is not on your
21 property. Now it's his testimony, not mine.

22 MS. SIMMONS: Right.

23 MS. PIGEON: He's looking at the
24 old records there on his computer.

1 MR. PRATHER: The access road is
2 not on it either?

3 MR. SWARTZ: Let me get the plat
4 back up here.

5 MS. SIMMONS: Considering he's the
6 only one that has the map to know that, but
7 we still say, no, and give us the opportunity
8 to see if it's on our property.

9 MR. PRATHER: He has access to
10 your property based on his lease. I mean
11 that lease gives access and egress off the
12 property.

13 MR. SIMMONS: He don't have a
14 lease.

15 MR. SWARTZ: The map I'm looking
16 at we downloaded off the DGO website this
17 morning. I mean we don't have our file.
18 We couldn't get into it. I'm looking at a
19 map of this 58.77-acre unit. The CBM AX-
20 99 well is very close to the eastern edge of
21 the drilling window and close to the north
22 corner of the drilling window.

23 Tract 4, which is the feed tract that
24 has the tiny little checks, is outside of the

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1 drilling window south of the window. So
2 that's a long way away.

3 The closest tract is -- it is 1-B.

4 MS. DUTY: Yes, sir.

5 MR. SWARTZ: The closest tract is
6 1-B that they have and that's the tract
7 that's 25 percent of the unit that has the
8 \$40,000 in escrow.

9 That tract, if the scale of this map
10 is an inch equals 400, the well is over 200
11 feet away from the boundary.

12 MS. SIMMONS: I wish I could have
13 brought you the picture I had. I went and
14 took a picture of the truck sitting on the
15 land.

16 MR. LAMBERT: Can you access the
17 map?

18 MS. DUTY: No because this was
19 prior to --

20 MS. DAVIS: I'm going to go get it.

21 MR. LAMBERT: Mr. Cooper, I'd just
22 like to verify what Mr. Swartz is looking at.

23 MR. SWARTZ: Well, you can look
24 over my shoulder. I mean it's your map.

1 All right.

2 MS. PIGEON: Just to make sure
3 you understood what Mr. Swartz said earlier,
4 he's basically saying your family has two
5 different tracts of land and the small amount
6 of money that you've been receiving is for
7 the tract where you have a fee ownership.
8 There's no question that it's all your
9 family's.

10 The other one which you have a
11 larger interest in, this one you have a fee
12 ownership is very small, a fractional amount
13 of property in this unit. The other one you
14 own about 25 percent of the unit. That's
15 the one that there's a conflicting claim.

16 Do you understand about conflicting
17 claims in coal owners versus the gas?
18 That's what that means.

19 When there's a conflicting claim, the
20 money goes into escrow and there's where
21 the \$40,000 more or less has come from.
22 That's not what the whole well has
23 produced. Where there are no conflicting
24 claims or where tracts are leased, those

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1 people receive their money directly.

2 So, yes, a whole lot more money
3 than \$40,000 has been produced out of that
4 well. It's gone on directly to those people.

5 MR. SWARTZ: Well, if \$40,000 is
6 25 percent, it's produced \$160,000. That's
7 just roughly.

8 Somebody asked where the service
9 roads went and so forth. The road from this
10 well goes north. It does not cross their
11 tract which is to the south and west.

12 MR. PRATHER: Does the access
13 cross their tract? Does it cross their tract?

14 MR. SWARTZ: It does not. There's
15 a county road across their tract.

16 MR. PRATHER: It the access
17 doesn't cross the tract --

18 MR. SWARTZ: But they're in the
19 unit. They're in the unit and, you know, at
20 some point --

21 MR. LAMBERT: Mr. Cooper, did you
22 access the map.

23 MR. COOPER: We did pull that up
24 and we see that the well AX-99 is on tract

1 1-A and it does not have these people listed
2 as an owner of the land. It does not have
3 them. It has Harrison Wyatt, Island Creek
4 Coal, Jules Moats, Noah Helton heirs, CNX
5 Gas. That is the area where the well is
6 being drilled.

7 MR. SWARTZ: Where it was drilled.

8 MR. LAMBERT: That's the first well.

9 Could you give us any information
10 where the proposed second well --

11 MR. SWARTZ: I don't think we filed
12 for the permit.

13 MR. COOPER: We don't have a
14 permit on the second well.

15 MR. LAMBERT: Okay.

16 MR. SWARTZ: But that well is
17 going to be -- I'm told that that well is
18 going to be in the northwest corner which
19 would be tract 2-D.

20 MR. COOPER: It would be 2-D.

21 MS. DUTY: 2-E.

22 MR. SWARTZ: 2-E. This one right
23 here?

24 MS. DUTY: Yes.

1 MR. LAMBERT: Okay, folks, I'm
2 going to have to -- we're getting too many
3 voices here. It's very difficult for the
4 recorder to make out which one she needs
5 to record and transcribe. So let's try to
6 keep it down to one conversation at a time
7 please.

8 MR. COOPER: Mr. Chairman, if it is
9 indeed in 2-E, it would be the same as 2-D.
10 Harrison Wyatt, Jules Moats, CNX Gas. One
11 unknown surface owner in that tract.

12 MR. LAMBERT: Okay. Any further
13 questions from the Board or discussion?

14 [No response.]

15 MR. LAMBERT: Mr. Swartz, anything
16 further?

17 MR. SWARTZ: No.

18 MR. LAMBERT: Ms. Simmons,
19 anything further?

20 MS. SIMMONS: I still feel that
21 without knowing for sure. I went there and
22 took pictures of where that truck sits and I
23 should have brought it in here, but I didn't
24 think I would need pictures to do it.

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1 From where I see, it looks like that
2 truck is sitting right -- it is right on the line
3 to the line that could be ours or not. If it's
4 not our property, why would we even get the
5 notice. If we had no concern, why did we
6 get the notice.

7 MR. LAMBERT: Because you're
8 within the unit.

9 MS. SIMMONS: If we're within the
10 unit, then we should have a right to say no.

11 MS. PIGEON: You get the notice.

12 MR. LAMBERT: Yeah, you get the
13 notice.

14 MR. LAMBERT: You have the right.

15 MS. SIMMONS: That's what I want.

16 MR. LAMBERT: Thank you.

17 Any other discussions from the
18 Board before I call for a vote?

19 [No response.]

20 MR. LAMBERT: Do I have a motion?

21 MS. QUILLEN: Motion to approve.

22 MR. RATLIFF: Second.

23 MR. LAMBERT: I have a motion and
24 a second. Any further discussion?

1 [No response.]

2 MR. LAMBERT: All in favor signify
3 by saying yes.

4 BOARD MEMBERS: Yes.

5 MR. LAMBERT: Opposed no.

6 [No response.]

7 MR. LAMBERT: Thank you, folks.
8 It has been approved.

9 Ms. Simmons, if you all would
10 please make an appointment with Mr.
11 Cooper.

12 MS. SIMMONS: You know, we tried
13 to get all of this stuff before we came here
14 today. It's really sad. I really feel I did
15 everything to have this information and I
16 feel that CNX gets away with ripping off
17 people bad. It's frustrating.

18 I know it's not the Board's fault but
19 it's really terrible when they can sit here
20 and get another well. We've been her twice.
21 He sat right there and said we had no right
22 to say anything the last time. He never
23 said that to us the last time. He got angry
24 the last time.

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1 You know, this man, I'm sorry, but
2 he'll get his but not from me because I'm
3 not one to do that.

4 MR. LAMBERT: We're going to take
5 a 10-minute break at this time.

6 [Break 2:40 p.m. to 2:55 p.m.]

7 - - - - -

8 MR. LAMBERT: All right, ladies and
9 gentlemen, we're calling Docket Item Number
10 35. It's a petition from CNX Gas Company,
11 LLC to modify the Middle Ridge 1 Field
12 Rules to allow for a second well to be
13 drilled in Unit BB-117, Docket Number
14 VGOB-00-1017-0835-10.

15 All parties wishing to testify please
16 come forward.

17 MR. SWARTZ: Mark Swartz and
18 Anita Duty.

19 MR. LAMBERT: You may proceed,
20 Mr. Swartz.

21 MR. SWARTZ: Thank you.

22 BY MR. SWARTZ:

23 Q Anita, state your name for us,
24 please?

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1 A Anita Duty.

2 Q Who do you work for?

3 A CNX Land Resources.

4 Q Is this a petition that you
5 participated in preparing this petition for
6 modification?

7 A Yes.

8 Q It affects what unit?

9 A BB-117.

10 Q What field rules?

11 A Middle Ridge.

12 Q And the relief that we're requesting
13 here is to modify the Middle Ridge 1 Field
14 Rules to allow a second well to be drilled in
15 this unit; is that correct?

16 A Yes.

17 Q In addition to providing the Board
18 with the identification of the numeric and
19 alphabetic identification of this unit, have
20 you also provided the Board with the
21 application with the state plain coordinate
22 description at paragraph 7?

23 A Yes.

24 Q Do we have the right acreage in this

1 one?

2 A Yes, we do.

3 Q 58.74?

4 A Yes.

5 Q What did you do to notify people
6 that we were going to be having a hearing
7 today with regard to this issue?

8 A Mailed certified mail, return receipt
9 requested on November 16, 2012, published
10 a notice and location map in the Bluefield
11 Daily Telegraph on November 21, 2012.

12 Q Have you provided Mr. Cooper with
13 copies of your certificates with regard to the
14 mailing and proof of publication?

15 A I will.

16 Q Do you want to add anybody as
17 respondent?

18 A No.

19 Q Do you need to dismiss anyone?

20 A No.

21 Q Okay. Does this unit already have
22 a well?

23 A Yes.

24 Q You're seeking to drill a second well

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1 and obviously you're familiar that it has to
2 be at least 600 feet apart; right?

3 A Yes.

4 Q Can you show the Board on this map
5 where this is in relation to other
6 applications for infill drilling?

7 A [Indicating.] It's actually this.

8 Q This is -- this modification
9 obviously, we also need a permit if the
10 modification were granted; correct?

11 A We would.

12 Q If we're adding a second well, we'd
13 have to come back again to the Board with
14 regard to re-pooling to allow that second
15 well; right?

16 A Yes.

17 Q So it's sort of the first step?

18 A Yes.

19 Q And that's all we're asking for today
20 is the opportunity for an operator to drill a
21 second well in this hearing?

22 A Yes.

23 MR. SWARTZ: That's all I have.

24 MR. LAMBERT: Any questions from

1 the Board?

2 [No response.]

3 MR. LAMBERT: Anything further,
4 Mr. Swartz?

5 MR. SWARTZ: No.

6 MR. LAMBERT: Do I have a motion?

7 MS. QUILLEN: Motion to approve.

8 MR. PRATHER: Second.

9 MR. LAMBERT: I have a motion and
10 a second. Any further discussion?

11 [No response.]

12 MR. LAMBERT: All in favor signify
13 by saying yes.

14 BOARD MEMBERS: Yes.

15 MR. LAMBERT: Opposed no.

16 [No response.]

17 MR. LAMBERT: Thank you, Mr.
18 Swartz. That's approved.

19 MR. SWARTZ: Thank you.

20 - - - - -

21 MR. LAMBERT: Calling Docket Item
22 Number 36, a petition from CNX Gas
23 Company, LLC for re-pooling of Unit CC-36,
24 Docket Number VGOB-02-0716-1041-01.

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1 All parties wishing to testify please
2 come forward.

3 MR. SWARTZ: Mark Swartz and
4 Anita Duty.

5 MR. LAMBERT: You may proceed,
6 Mr. Swartz.

7 MR. SWARTZ: Thank you.

8 BY MR. SWARTZ:

9 Q Anita, I need your name again
10 please?

11 A Anita Duty.

12 Q Who do you work for?

13 A CNX Land Resources.

14 Q Did you participate in and/or
15 supervise the preparation of the Notice of
16 Hearing and the Pooling Application with
17 regard to this unit?

18 A Yes.

19 Q This is a request to re-pool Unit
20 CC-36; correct?

21 A Yes.

22 Q What field is this one in?

23 A Oakwood.

24 Q The reason that we're re-pooling is

1 what?

2 A There was a tract that was identified
3 previously as surface only. We realized it's
4 actually surface, oil and gas.

5 Q The person that pertains to is
6 Geraldine McGlothin; am I right?

7 A Yes.

8 Q Was her tract, as we indicated early
9 when we were talking, is her tract contained
10 within a larger tract?

11 A It is.

12 Q If we look at the plat map that you
13 submitted, her tract is?

14 A 3-C.

15 Q She's 3-C. It looks like she's
16 within tract 3 I would imagine or no?

17 What tract did she come out of?

18 A I mean 2. This is not the same
19 unit. Actually what happened is we
20 purchased tract 3-B. Ms. McGlothin is one
21 of the heirs that has an interest in tract 3-B
22 and tract C was land hooked as if we own
23 this property. So we were showing this as
24 all CNX property.

1 Q So what happened though is 3-C
2 came out of 3-B and initially it was all 3-B.
3 So the only percentages that changed would
4 be the CNX interest in 3-B went down?

5 A Correct.

6 Q She is a new interest that needs to
7 be pooled and she needs to have her
8 election right?

9 A Okay.

10 Q And CNX doesn't need election
11 rights?

12 A Correct.

13 Q With regard to this hearing today,
14 what did you do to notify people, the list of
15 people that you have as respondents that
16 there would be a hearing?

17 A Mailed by certified mail, return
18 receipt requested on November 16, 2012.
19 Published the notice and location map in the
20 Bluefield Daily Telegraph on November 21,
21 2012.

22 Q Do you have with you or have you
23 already provided the certificates with regard
24 to mailing your Proof of Publication for Mr.

1 Cooper?

2 A Yes.

3 Q Have you given them to him or are
4 you about to?

5 A I already gave them to him.

6 Q Do you want to add any respondents
7 today?

8 A No.

9 Q Do you want to subtract any?

10 A No.

11 Q And based on your updated title, do
12 you believe you have everyone that you need
13 either a lease from or have noticed?

14 A Yes.

15 Q In this particular case we have
16 already one well in this unit, I believe, or
17 do we have two?

18 A There's actually two.

19 Q One of them is sort of in the
20 northeast corner and then one is in the very
21 far southwest corner?

22 A Yes.

23 Q Neither of those wells are on
24 Geraldine's surface or land; correct?

1 A Correct.

2 Q Have you provided a cost estimate
3 with regard to those two wells?

4 A I have.

5 Q Combined what is the cost?

6 A \$601,665.66.

7 Q And then individually?

8 A CC-36 is \$244,354.54. Estimated
9 depth 2442.5 feet, permit number 4990.

10 CC-36-A is going to cost
11 \$357,311.12. Estimated depth 2160 feet,
12 permit 7873.

13 Q The total interest that you've
14 acquired in the unit?

15 A I believe we acquired 100 percent of
16 the coal owners claim to CBM and 95.95
17 percent of the oil and gas owners' claim to
18 CBM, seeking to pool 4.05 percent of the oil
19 and gas owners' claim to CBM.

20 Q What is the -- it might take you a
21 moment to find it, but what is Geraldine's
22 percentage interest in the unit as a piece of
23 the four percent?

24 A 2.325 percent.

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1 Q So that's really the piece that has
2 never been pooled vis-a-vis her?

3 A Correct.

4 Q That's part of the 4.05 percent?

5 A It is.

6 Q Is there escrow going to be required
7 in this unit?

8 A Yes.

9 Q Have you provided an Exhibit E with
10 regard to that?

11 A Yes.

12 Q Do we have any split agreements?

13 A We do.

14 Q Have you provided an Exhibit EE
15 with regard to the split?

16 A Yes.

17 Q To the extent that folks have split
18 agreements identified in Exhibit EE and we
19 haven't already been authorized to pay them
20 directly, are you requesting that we be
21 allowed to do that?

22 A Yes.

23 Q With regard to the operator and the
24 applicant and we're going to stay presumably

1 with the same people, but let me ask you,
2 okay. The applicant again is CNX Gas
3 Company; correct?

4 A Yes.

5 Q And the proposal is that CNX Gas
6 Company, LLC would continue as the
7 operator?

8 A They would.

9 Q In that regard is CNX Gas Company
10 Limited a Virginia liability company?

11 A It is.

12 Q As such is it authorized to do
13 business in the Commonwealth?

14 A Yes.

15 Q Is it registered with the Department
16 of Mines, Minerals and Energy and the DGO?

17 A Yes.

18 Q Has it posted the blanket bond that
19 is required of gas and oil operators?

20 A Yes.

21 Q We've talked about this I think --
22 did you tell me it was in Oakwood?

23 A It is.

24 Q According to the plat it contains how

1 many acres?

2 A 80.

3 Q We've got two wells there, both in
4 the drilling window?

5 A Yes.

6 Q With regard to -- actually this was
7 in the record the first time we were here,
8 but what would be the standard lease terms
9 that CNX has offered and would continue to
10 offer to people who wanted to lease their
11 interest in this unit?

12 A Five dollars per acre per year with
13 five-year paid up term and 1/8th royalty.

14 Q If Ms. McGlothin were to come to
15 you, those terms would be available?

16 A Yes.

17 Q Is it your opinion that this
18 development as depicted on your plat is a
19 reasonable way to develop the coalbed
20 methane within this unit?

21 A Yes.

22 Q Is it your further opinion that if you
23 combine a revised pooling order with the
24 interest that the operator and applicant has

1 been able to acquire, that the correlative
2 rights of everyone in this unit would be
3 protected?

4 A Yes.

5 MR. SWARTZ: That's all I have, Mr.
6 Chairman.

7 MR. LAMBERT: Any questions from
8 the Board?

9 [No response.]

10 MR. LAMBERT: Anything further Mr.
11 Swartz?

12 MR. SWARTZ: No.

13 MR. LAMBERT: Do I have a motion?

14 MS. QUILLEN: Motion to approve.

15 MR. PRATHER: Second.

16 MR. LAMBERT: I have a motion and
17 a second. Any further discussion?

18 [No response.]

19 MR. LAMBERT: All in favor signify
20 by saying yes.

21 BOARD MEMBERS: Yes.

22 MR. LAMBERT: Opposed no.

23 [No response.]

24 MR. LAMBERT: Thank you, Mr.

1 Swartz. That's approved.

2 MR. SWARTZ: Thank you.

3 - - - - -

4 MR. LAMBERT: I'm calling Docket
5 Item Number 37, a petition from Range
6 Resources-Pine Mountain, Inc. for a well
7 location exception for proposed well 900116,
8 Docket Number VGOB-12-1218-3096.

9 All parties wishing to testify please
10 come forward.

11 MR. SCOTT: Mr. Chairman, Tim
12 Scott, Gus Janson and Phil Horn for Range
13 Resources-Pine Mountain, Inc.

14 MR. LAMBERT: Hello, Mr. Horn, Mr.
15 Janson. You're still sworn. You're okay.

16 You may proceed, Mr. Scott.

17 MR. SCOTT: Thank you, Mr.
18 Chairman.

19 BY MR. SCOTT:

20 Q Mr. Horn, please state your name,
21 by whom your employed and job description?

22 A My name is Phil Horn, employed by
23 Range Resources-Pine Mountain as Land
24 Manager.

1 Q You're familiar with this application,
2 are you not?

3 A Yes, I am.

4 Q And also the ownership of the
5 minerals underlying this unit?

6 A That's correct.

7 Q Now you've provided to the Board
8 revised Exhibit A. Can you please tell the
9 Board exactly what's been revised on that
10 exhibit?

11 A The tract in the northwest corner of
12 the unit owned by Paramount Coal Company
13 of Virginia, LLC. CNX is the lessee on that
14 tract. We notified CNX an application but
15 we didn't have it on the plat.

16 Q So it was just a correction?

17 A Correct.

18 Q Now as to the other parties listed
19 on Exhibit B, how were those individuals
20 notified?

21 A By certified mail.

22 Q Now the well that's shown on Exhibit
23 A to which this application for the well
24 relocation which we're requesting today, who

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1 operates that well?

2 A Range Resources-Pine Mountain, Inc.

3 Q Again you are both an owner and an
4 operator; is that correct?

5 A That's correct.

6 Q Now as you said, we provided the
7 notice of this hearing today by certified
8 mail; is that right?

9 A That's correct.

10 Q Then we provided the proof to Mr.
11 Cooper?

12 A Yes, you have.

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

15 MR. LAMBERT: Any questions from
16 the Board?

17 [No response.]

18 MR. LAMBERT: You may continue,
19 Mr. Scott.

20 MR. SCOTT: Thank you.

21 BY MR. SCOTT:

22 Q Mr. Janson, your name, by whom you
23 are employed and your job description
24 please?

1 A My name is Gus Janson, employed
2 by Range Resources-Pine Mountain, Inc. as
3 the Manager of Geology.

4 Q You're familiar with this application;
5 is that correct?

6 A I am.

7 Q Please tell the Board why we're
8 seeking relocation exception for this
9 particular unit?

10 A Yes. If the Board would refer to
11 Exhibit AA, you'll see the location of
12 proposed well 900116. Again it's the well
13 outlined in red with the green stippled area
14 in the center of the map.

15 This well has been positioned due to
16 the proposed alignment of the Coalfield
17 Expressway which would be in the heavy
18 blue line, the 4-lane highway that's proposed
19 in the future. We've located that well in
20 the best location we had topographically and
21 with regard to those surface land uses
22 proposed in that area to and maximum the
23 resource recovery of this area.

24 In the event the well is not drilled,

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1 approximately 102.3 acres of reserves would
2 be stranded.

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

5 A 6,022 feet.

6 Q And the potential loss of reserves?

7 A 500 million cubic feet of gas.

8 Q If this application were approved
9 today and an order was entered approving it,
10 it would prevent waste, promote conservation
11 and protect correlative rights; is that
12 correct?

13 A That's correct.

14 MR. SCOTT: That's all I have for
15 Mr. Janson.

16 MR. LAMBERT: Any questions from
17 the Board?

18 [No response.]

19 MR. LAMBERT: Anything further,
20 Mr. Scott?

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

23 MR. LAMBERT: Do I have a motion?

24 MS. QUILLEN: Motion to approve.

1 MR. PRATHER: Second.

2 MR. LAMBERT: I have a motion to
3 approve and a second. All in favor signify
4 by saying yes.

5 BOARD MEMBERS: Yes.

6 MR. LAMBERT: Opposed no.

7 MR. RATLIFF: I'll abstain.

8 MR. LAMBERT: One abstention, Mr.
9 Ratliff.

10 - - - - -

11 MR. LAMBERT: Calling Docket Item
12 Number 38, a petition from Range
13 Resources-Pine Mountain, Inc. for a well
14 location exception for proposed well 900126,
15 Docket Number VGOB-12-1218-3097.

16 All parties wishing to testify please
17 come forward.

18 MR. SCOTT: Tim Scott, Phil Horn
19 and Gus Janson for Range Resources-Pine
20 Mountain, Inc.

21 MR. LAMBERT: You may proceed,
22 Mr. Scott.

23 MR. SCOTT: Thank you, sir.

24 BY MR. SCOTT:

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

4 A My name is Phil Horn. I'm Land
5 Manager for Range Resources-Pine Mountain,
6 Inc.

7 Q You're familiar with this application;
8 is that right?

9 A Yes, I am.

10 Q You're also familiar with the
11 ownership underlying this unit?

12 A That's correct.

13 Q Those owners are set out in Exhibit
14 B; is that right?

15 A That's correct.

16 Q Who operates the wells from which
17 this well location exception is requested?

18 A Range Resources-Pine Mountain, Inc.

19 Q Range is an owner and operator; is
20 that correct?

21 A That's correct.

22 Q Now we have unknowns in this unit;
23 is that right?

24 A That's correct.

1 Q So how was notice to the unknowns
2 effected?

3 A By certified mail and then it was
4 also published by publication in the Bluefield
5 Daily Telegraph on November 23, 2012.

6 Q We've provided to Mr. Cooper the
7 Proof of Mailing and publication; is that
8 right?

9 A Yes. Correct.

10 MR. SCOTT: That's all I have for
11 Mr. Horn.

12 MR. LAMBERT: Any questions from
13 the Board?

14 [No response.]

15 MR. LAMBERT: You may continue,
16 Mr. Scott.

17 MR. SCOTT: Thank you.

18 BY MR. SCOTT:

19 Q Mr. Janson, your name, by whom
20 you're employed and your job description
21 please?

22 A My name is Gus Janson, employed
23 by Range Resources-Pine Mountain, Inc. as
24 Manager of Geology.

1 Q You are familiar with this
2 application; is that correct?

3 A I am.

4 Q Why are we seeking a well location
5 exception for this particular well today?

6 A If the Board would refer to Exhibit
7 AA, a location of proposed well 900126, this
8 well location has been selected again to
9 maximize recovery of the remaining natural
10 gas resources with relation to the existing
11 offsetting wells. There is no available
12 location that meets the statewide spacing
13 requirements.

14 If the well is not drilled,
15 approximately 71.37 acres of resources
16 would be stranded.

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

19 A 5610 feet.

20 Q The potential loss of reserves?

21 A 550 million cubic feet of gas.

22 Q So as to this particular well, if our
23 application is granted, it would prevent
24 waste, promote conservation and protect the

1 correlative rights; is that correct?

2 A That is correct.

3 MR. SCOTT: That's all I have for
4 Mr. Janson.

5 MR. LAMBERT: Any questions from
6 the Board?

7 [No response.]

8 MR. LAMBERT: Anything further,
9 Mr. Scott?

10 MR. SCOTT: That's all I have, Mr.
11 Chairman.

12 MR. LAMBERT: Do I have a motion.

13 MS. QUILLEN: Motion to approve.

14 MR. LAMBERT: I have a motion and
15 a second. All in favor signify by saying
16 yes.

17 BOARD MEMBERS: Yes.

18 MR. LAMBERT: Opposed no.

19 MR. RATLIFF: I'll abstain, Mr.
20 Chairman.

21 MR. LAMBERT: One abstention, Mr.
22 Ratliff.

23 - - - - -

24 MR. LAMBERT: Calling Docket Item

1 Number 39, a petition from Range
2 Resources-Pine Mountain, Inc. for pooling of
3 coalbed methane unit Lovers Gap 40-CBM
4 Unit AB-74, Docket Number VGOB-12-1218-
5 3098.

6 All parties wishing to testify please
7 come forward.

8 MR. SCOTT: Tim Scott, Gus
9 Janson, Phil Horn for Range Resources-Pine
10 Mountain, Inc.

11 MR. LAMBERT: You may proceed,
12 Mr. Scott.

13 BY MR. SCOTT:

14 Q Mr. Horn, one last time state your
15 name, by whom you're employed and your
16 job description?

17 A My name is Phil Horn. I'm
18 employed by Range Resources-Pine
19 Mountain, Inc. as Land Manager.

20 Q You're familiar with this application;
21 is that right?

22 A Yes, I am.

23 Q How many acres does this unit
24 contain?

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1 A 58.67.

2 Q Range has a significant portion of
3 this under lease; is that correct?

4 A That's correct.

5 Q Are we going to dismiss anybody
6 today?

7 A Yes. Anthony Darrell and Tammy
8 Viers.

9 Q Now you've provided the Board with
10 revised Exhibit B; is that right?

11 A That's correct.

12 Q Changing the percentages of leased
13 versus unleased; is that right?

14 A Right. And we also want to address
15 a correction.

16 Q Okay. Have you attempted to reach
17 an agreement with the parties, the other
18 party respondents listed on Exhibit B-3?

19 A Yes, we have.

20 Q What efforts did you make?

21 A We've contacted them all. We've
22 met with them and we delivered them leases
23 and we have not been able to get leases
24 signed.

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

4 A It was by certified mail and also it
5 was published in the Bluefield Daily
6 Telegraph on November 26, 2012.

7 Q Do we have any unknowns in this
8 unit?

9 A No, we do not.

10 Q Range is authorized to conduct
11 business in the Commonwealth; is that right?

12 A Correct.

13 Q A blanket bond on file?

14 A That's correct.

15 Q Now if you were to reach an
16 agreement with the parties listed on Exhibit
17 B-3, what terms would you offer?

18 A \$30 per acre for a five-year paid up
19 lease for 5 to 1/8 royalty.

20 Q You consider that to be reasonable
21 compensation for a CBM lease in this area?

22 A Yes, I do.

23 Q What percentage of the coalbed
24 methane estate does Range have under

1 lease?

2 A 100 percent.

3 Q That includes the tracts in which
4 Range has an ownership interest; is that
5 right?

6 A Yes. We own 100 percent of the
7 coalbed methane claim in this unit.

8 Q What percentage of the gas estate
9 does Range have under lease?

10 A 74.34 percent.

11 Q What percentage are you seeking to
12 pool?

13 A 25.66 percent.

14 Q We have no escrow requirements; is
15 that right?

16 A That's correct.

17 Q So you're requesting the Board to
18 pool the unlisted parties listed on Exhibit B-
19 3?

20 A Yes, we are.

21 Q And also that Range be named the
22 operator of this unit; is that correct?

23 A That's correct.

24 Q Now if the Board grants our request

1 today, grants our petition, and the parties
2 who are listed on B-3 do make an election,
3 what address should be used?

4 A Range Resources-Pine Mountain,
5 Inc., P.O. Box 2136, Abingdon, Virginia
6 24212.

7 Q Should that be the address for all
8 correspondence on this unit?

9 A That's correct.

10 MR. SCOTT: That's all I have for
11 Mr. Horn.

12 MR. LAMBERT: Mr. Horn, could
13 you tell the Board why you dismissed the
14 Viers?

15 MR. HORN: He signed a lease after
16 we applied for the pooling?

17 MR. LAMBERT: Any other questions
18 from the Board?

19 [No response.]

20 MR. LAMBERT: You may continue,
21 Mr. Scott.

22 MR. SCOTT: Thank you.

23 BY MR. SCOTT:

24 Q Mr. Janson, one last time you name,

1 your job description and by whom you're
2 employed?

3 A My name is Gun Janson, employed
4 by Range Resources-Pine Mountain, Inc. as
5 the Manager of Geology.

6 Q You're familiar with this application;
7 is that right?

8 A I am.

9 Q What's the proposed depth of this
10 well?

11 A 2220 feet.

12 Q And the estimated reserves?

13 A 400 million cubic feet of gas.

14 Q Now we've provided an AFE with our
15 application; is that right?

16 A That's correct.

17 Q So are you familiar with the well
18 cost for this unit?

19 A I am.

20 Q What's the estimated dry hole cost?

21 A \$161,898.

22 Q And the estimated completed well
23 cost?

24 A \$387,449.

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1 Q We've got a reasonable cost for
2 supervision under the AFE; is that right?

3 A That is correct.

4 Q Do you consider that cost to be
5 reasonable?

6 A Yes.

7 Q In your opinion if the Board grants
8 our application today, would it prevent
9 waste, promote conservation and protect
10 correlative rights?

11 A Yes, it would.

12 MR. SCOTT: That's all I have for
13 Mr. Janson.

14 MR. LAMBERT: Questions from the
15 Board?

16 [No response.]

17 MR. LAMBERT: Anything further,
18 Mr. Scott?

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

21 MR. LAMBERT: Do I have a motion?

22 MS. QUILLEN: Motion to approve.

23 MR. PRATHER: Second.

24 MR. LAMBERT: We have a motion

1 and we have a second. Any further
2 discussion?

3 [No response.]

4 MR. LAMBERT: All in favor signify
5 by saying yes?

6 BOARD MEMBERS: Yes.

7 MR. LAMBERT: Opposed no?

8 MR. RATLIFF: I'll abstain, Mr.
9 Chairman.

10 MR. LAMBERT: One abstention, Mr.
11 Ratliff.

12 Thank you, gentlemen, and have a
13 Merry Christmas.

14 MR. SCOTT: Thank you.

15 - - - - -

16 MR. LAMBERT: Calling Docket Item
17 Number 41. Geomet will provide testimony
18 to the Gas and Oil Board regarding the
19 escrow audit for the years 2000-2009. This
20 is Docket Number VGOB-12-1218-3095.

21 All parties wishing to testify please
22 come forward.

23 [The witness was sworn.]

24 MR. LAMBERT: Would you state

1 your name for the record?

2 MR. STILLWELL: My name is Rocky
3 Stillwell. I'm over Land Permitting for
4 Geomet Operating Company.

5 MR. LAMBERT: Before you begin,
6 Rocky, let me give just some background for
7 the Board or an update for the Board for the
8 next several items.

9 The Board sent out a letter back in
10 August asking each company to come before
11 this hearing in December to certify that
12 information that we provided through the
13 work by the VGO and other Geomet staff
14 was accurate to best of our knowledge.

15 I think most all of the companies
16 are here ready to provide testimony that the
17 escrow is accurate and that beginning
18 January we will have an accurate number for
19 the auditor to move forward and finish the
20 audit that was started two years ago.

21 MR. STILLWELL: Correct. We
22 agree with the audit. We work with Rick
23 and them and we're happy with everything.
24 If anybody's got any questions, I'll be glad

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1 to answer them.

2 MR. LAMBERT: You have in front of
3 you Geomet has provided a certified
4 statement that the escrow account for
5 Geomet Operating Company is accurate for
6 the numbers that were provided; is that
7 correct, Rocky?

8 MR. STILLWELL: That's correct,
9 yes, sir.

10 MR. LAMBERT: Thank you. We
11 appreciate that. We're going to move on to
12 the second item now that you can clear up
13 any -- there was a little bit of an accounting
14 issue that developed as a result of the
15 process that you went through with
16 reconciling your numbers.

17 Do you want to tell us about that
18 and how you're going to correct that.

19 MR. STILLWELL: Yes. It goes
20 along with this letter right here. It says,
21 this letter is to inform you that the money
22 recorded in Docket Number VGOB-06-1219-
23 1843 was mistakenly paid to that docket and
24 should have been in docket VGOB-06-1219-

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1 1846. The well associated with this docket
2 1843 has not been drilled yet.

3 MR. LAMBERT: Is there any
4 questions from the Board?

5 MS. QUILLEN: That's the
6 difference, that difference?

7 MR. STILLWELL: On the one, yeah,
8 the 1843 on that one docket. Yes, ma'am.

9 MR. LAMBERT: So as of the end of
10 December, Geomet agrees with the
11 accounting that's in the escrow for your
12 company?

13 MR. STILLWELL: Yes, sir.

14 MR. LAMBERT: Okay. Thank you,
15 Rocky.

16 MR. STILLWELL: Thank you.

17 - - - - -

18 MR. LAMBERT: We're calling Docket
19 Item Number 42. CNX will provide testimony
20 to the Gas and Oil Board regarding the
21 escrow for years 2000 to 2009. This is
22 Docket Number VGOB-12-1218-3099.

23 All parties wishing to testify please
24 come forward.

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1 MR. SWARTZ: Mark Swartz and
2 Anita Duty.

3 MR. LAMBERT: You may proceed,
4 Mr. Swartz.

5 MR. SWARTZ: I'm not sworn and I
6 think I might need to be because I'm actually
7 going to testify.

8 [The witness was sworn.]

9 MR. SWARTZ: We e-mailed this to
10 Rick yesterday I think and we didn't bring
11 copies. I do have copies with certification
12 on the back of it. Do you have any extras,
13 Rick, that you could lend me?

14 MR. COOPER: I do.

15 MR. SWARTZ: Great.

16 MS. DUTY: We've got these over
17 here.

18 MR. SWARTZ: We've got three of
19 the smaller ones, too.

20 MR. LAMBERT: We can check.

21 You may proceed.

22 MR. SWARTZ: Okay. Anita and her
23 staff spent a fair amount of time trying to
24 confirm the accuracy of our records as

1 compared to yours and we followed a little
2 different process maybe than some of the
3 other operators. I don't know, but Anita has
4 certified that she believes that we gave the
5 Board and the DGO by electronic data
6 complete records of all payments. Okay.

7 That's the first item in a certificate
8 that she signed and filed. She may or may
9 not have a copy of. Yeah, that thing.

10 Anita, did you, in fact, undertake to
11 make sure that as far as you could tell, we
12 had provided electronic data for that period?

13 MS. DUTY: Yes, I did.

14 MR. SWARTZ: Then we at some
15 point during the audit, and I'm not sure, you
16 know, exactly what precipitated all of this,
17 but at some point during the audit process,
18 we received an inquiry in I think April of
19 this year with regard to specific items and
20 saying we can't find this, we can't track
21 this, and we've got a longer list than what
22 we have given you.

23 We went through that list and pared
24 that down because a lot of it was fairly easy

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1 to answer. Okay. So that's item two of
2 Anita's certification.

3 Then the point that we're headed
4 toward now is when that list got pared down,
5 then we had a list, and you'll notice there's
6 a list of checks and docket numbers here.

7 Anita and her troops actually, you
8 know, visited with the banks, went into their
9 records, actually came over here and looked.
10 There's a lot of your records are on
11 microfiche.

12 This is the list of questions that Mr.
13 Cooper presented and said we needed to
14 account for these transactions.

15 The end game was that we were
16 able to account for all of the transactions
17 on this list that were questioned to the
18 penny. Okay. So we were able to either
19 find it on microfiche or find them, you know,
20 deposited at different times that required
21 some investigation with one exception, and
22 that was a four hundred -- where is that,
23 Anita -- \$446.62 check back -- what's the
24 check number?

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1 MS. DUTY: I don't know.

2 MR. SWARTZ: Look at AA-9 on your
3 list.

4 MS. PIGEON: The check number on
5 the certification is 28626.

6 MS. DUTY: AA8 28626.

7 MR. SWARTZ: AA8. The last check
8 is 28626 number. We determined -- we
9 couldn't find that deposit in the bank
10 records. So then we went back and checked
11 our records and although we issued the
12 check, it was never presented for payment.
13 It wasn't cashed. Don't know why.

14 So we have requested that that
15 check be reissued and that was the only
16 instance in which we could not account the
17 penny for all of the questions that either the
18 auditor had or Rick and his staff had.

19 So I guess the conclusion to be
20 drawn for that is there appears to be a
21 pretty good agreement and I don't know how
22 these were selected; but, you know, there's
23 a lot of units here, a lot of checks and a
24 big time frame. So the result of the work

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1 that Anita and her staff did with regard to
2 this was, you know, it had a happy ending
3 because we were able to make, you know,
4 our records match the bank records with that
5 one exception which we're fixing, you know.

6 MS. QUILLEN: You said that was
7 \$446.62; right?

8 MR. SWARTZ: Yes. Then Anita has
9 certified that this information she's provided
10 in her statement is she attests to that just
11 like she attested to her applications and so
12 forth.

13 So I guess the inference that I draw
14 is that we had a fairly large sample looking
15 at a long period of time; and based on the
16 sampling, the records seem to be in
17 agreement in a very positive sort of way.

18 You and I this morning, Mr.
19 Chairman, talked some about an explanation
20 why totals might not be in agreement. We
21 don't as a company have an ability to really
22 track that other than to say we know that
23 the total on deposit in our accounts today,
24 minus disbursements, would never agree with

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1 the total amount of the checks we wrote.

2 I mean it's just never going to
3 happen because the escrow agent has paid
4 expenses out of some of those funds and
5 has added interest.

6 The records that we see from Mr.
7 Cooper today show that there is substantially
8 more money in the CNX collective accounts
9 than we paid in, which I take as evidence
10 that our bank has earned a heck of a lot of
11 money over the years on that. I mean it's
12 a pretty substantial sum of money and I
13 would expect that.

14 So the fact that there's more money
15 in the account than we paid in is consistent
16 with what you would expect to find over
17 time. But I can't -- Anita and I are not in
18 a position where we could account for the
19 excess. We can only account for what we
20 paid in and when we do that it works.
21 That's what Anita is telling you, you know,
22 on behalf of CNX.

23 I will also say that there may be
24 other questions because we've talked to

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1 Rick. I mean I think this is an ongoing
2 process. And we are certainly prepared to
3 do the same thing that we just did, you
4 know, if there are further questions.

5 There are some questions that we're
6 incapable of answering. Let me give you an
7 example.

8 We went and pulled a couple of
9 cancelled checks. We have image data on
10 a lot of the checks. Not all the way back
11 because the people in Canada were doing
12 some of it originally and it's hard to get it
13 from there. But we've got it going back five
14 or six years. We've looked at those checks.

15 A question that is difficult for us to
16 answer, we can find a check -- you know,
17 our system shows it was cashed but we can
18 actually go to the check and look at the
19 back of it and get the routing information
20 from the bank and, you know, how it would
21 worked it's way through the Federal Reserve.
22 But there's nothing on the check to tell us
23 what the escrow agent did with that check.

24 When the escrow agent receives

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1 monies from the companies, the escrow
2 agent builds a spreadsheet or has software
3 that allows them to build an allocation of
4 the money and allocate to specific units.

5 Although happily in these questions
6 we never were -- it was never an event that
7 we weren't able to find a deposit, when in
8 theory there could be a deposit where we've
9 got a cancelled check that, you know, we
10 know the bank, because we can see their
11 routing information on the back, received
12 their money, but if they put that in -- I
13 guess it's theoretically possible they could
14 have put that in the wrong account in a way
15 that we couldn't find it. Okay.

16 And I don't know. It hasn't
17 happened yet. Okay. In some of these, you
18 know, when Anita's staff were looking at
19 them, there would be -- several months
20 would be deposited and accounted for
21 months later in the cycle in a unit. But if
22 you did your homework, you know, they were
23 able to back into all of those deposits.

24 But there are some instances -- so

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1 what I'm saying is although we will work,
2 you know, do our best, I can conceive of
3 some questions that would be asked -- well,
4 the other question is why is there more
5 money. Well, I mean we know probably but
6 how would we know.

7 I mean, you know, we didn't put that
8 money in there. So, you know, if there's an
9 escrow account that should have as far as
10 we're concerned \$10,000 in it and it's got
11 \$12,000, you can ask me why it's there and
12 I can tell you I think it's partly earnings or
13 maybe some other problem, but we couldn't
14 answer that.

15 So far we haven't found any of
16 those situations where we have been asked
17 a question that we couldn't literally go to
18 the bank records and our records and make
19 it work. So that's the good news.

20 At least at this point Anita is able
21 to certify all the questions that we've been
22 asked. You know, based on the information
23 we've been provided, we have been able to
24 work in a to-the-penny outcome.

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1 MR. LAMBERT: We know that's it's
2 overpayment into the accounts.

3 MR. SWARTZ: There's more money
4 in the account than we paid.

5 MR. LAMBERT: Right.

6 MR. SWARTZ: And that's clear. We
7 would expect that.

8 MR. LAMBERT: So are you prepared
9 to say then that you would agree within that
10 accounting margin of error that you're
11 accurate for the records that the bank and
12 DGO has?

13 MR. SWARTZ: I guess what I would
14 say is we think our records are accurate to
15 the penny at the moment. So I think you
16 really have highly accurate records from us
17 in the sampling that we've done indicates
18 that they're reliable and they're accurate.

19 I mean our goal was to be to the
20 penny on every unit. I don't know if you've
21 noticed that.

22 MR. LAMBERT: That's our goal as
23 well. I guess if it were the opposite, in
24 other words, not enough money there, then

1 the Board would have some real concerns
2 and ask you to find out where.

3 MR. SWARTZ: Well, I think -- I
4 don't know how you pay your escrow agents.
5 I've never really paid them.

6 Initially I considered bidding for that
7 work. Then I realized it wasn't -- you know,
8 but anyway I could conceive that you could
9 get upside down on fees depending on how
10 you pay them but I've never seen that
11 happen. So I don't know.

12 I mean I think that if we were
13 upside down, the first place you would look
14 would be to say, okay, what are the fees
15 that have come out. If they didn't answer
16 that question, well, then you'd obviously
17 have to go to the next step. Why is that.
18 But that's not the case.

19 MR. LAMBERT: That's not the case.
20 That's why if you're prepared to say that
21 your records are accurate, then I think the
22 Board can accept that based upon we know
23 that there's extra monies out here that if we
24 do get upside down on one escrow account

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1 that there's something out there that we can
2 take care of that.

3 MR. SWARTZ: I think -- I'm going
4 to ask you this, Anita, as well, but I will
5 say based on the time that I spent, and we
6 spent a fair amount of time praying over this
7 to come here today to be comfortable, you
8 know, telling you where we thought we were.

9 I believe, having reviewed this and
10 having spent more time on this than I
11 normally spend getting ready for 15 minute
12 hearing, you know, I'm comfortable that our
13 records are highly accurate and to the penny
14 with regard to all issues that have been
15 raised with us.

16 Does that mean that there aren't
17 other questions that could be asked that we
18 would need to research. I'm sure there will
19 be. But at the moment I have no reason to
20 suspect that our records aren't right on to
21 the penny.

22 MR. LAMBERT: Well, we saw one
23 here today. It was \$9000. It was
24 discovered through the process. That's

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1 exactly what we intended the process to
2 have to work.

3 MR. SWARTZ: I see no reason to
4 suggest that as we go through the
5 disbursements that we're not going to see
6 more of that and we're not going to be able
7 to -- I mean we're able to fix it.

8 But I mean with regard to these
9 questions, we were right on.

10 Anita, my question for you is based
11 on your knowledge of your accounting
12 practices in CNX and also with regard to the
13 questions that you've fielded, is it your view
14 at this point that it looks like your records
15 to the extent we've been asked to account
16 for questions or answer questions are to the
17 penny.

18 MS. DUTY: Yes.

19 MS. PIGEON: Going back to that
20 \$9000 episode earlier today, I think we
21 pretty much determined that it wasn't your
22 records that were wrong. Your records were
23 correct.

24 MR. SWARTZ: We need to pay

1 them.

2 MS. PIGEON: The \$9000 went into
3 the wrong account and you may or may not
4 have had the right instruction on the memo.

5 MR. SWARTZ: Something happened.

6 MS. PIGEON: Or they might have
7 deposited it into the wrong account.

8 MR. SWARTZ: But I'm not including
9 that.

10 MS. PIGEON: I understand.

11 MR. SWARTZ: We were able to find
12 -- there were some of these that there were
13 some issues like that and that will happen,
14 but, see, the problem is we're making
15 payments which need to get deposited.
16 That, you know, we've been able to track
17 that.

18 The piece of the banks that manage
19 the escrow account, they actually build a
20 spreadsheet and make an allocation. That's
21 the data they give you guys because they
22 need to keep track of, you know, they put
23 \$500,000 in last month. Well, where does it
24 come from, where did it go. So there's

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1 some opportunity to make a deposit in the
2 wrong account or to allocate a deposit. So
3 far, at least for us, we've been able to find
4 those.

5 MR. LAMBERT: Again I'll restate.
6 That's what this whole process was intended
7 to do.

8 MR. SWARTZ: Right.

9 MR. LAMBERT: It was to correct
10 those errors. I guess the good thing that's
11 come out of it so far is that what we're
12 seeing is --

13 MR. SWARTZ: This is pretty
14 encouraging.

15 MR. LAMBERT: It's very
16 encouraging. The original, when the auditor
17 first began this process, he was telling us
18 there were major errors in the account, but
19 what we found out is, yes, there was some
20 errors but it's to the good. There's more
21 money in there than what we thought was in
22 there.

23 MR. SWARTZ: Well, just to put it
24 in perspective, I was talking to Rick about

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1 it the first thing this morning, this sheet in
2 the initial meeting solved like \$170,000
3 worth of questions that we found actual
4 answers for. So I mean, you know, I see no
5 reason on our end to be concerned about
6 the bank's accounting for the money that
7 we've given them.

8 You know, we were happy that we
9 were able to make these records coalesce
10 and work.

11 MR. LAMBERT: Any questions from
12 the Board then?

13 MR. SWARTZ: The other thing,
14 Anita makes a point, every time we come in
15 front of you for a disbursement is another
16 opportunity to audit.

17 MR. LAMBERT: Absolutely.

18 MR. SWARTZ: And that's going to
19 continue. We're not going to --

20 MR. LAMBERT: That's why we ask
21 you to reconcile your numbers with the
22 bank's.

23 MR. SWARTZ: Right. But I mean --
24 but that's a continuing process that gives us

1 an opportunity to find mistakes and to
2 rectify them if there are some.

3 MS. PIGEON: To clarify the record,
4 your certification that Anita has signed
5 refers to the Annex spreadsheet, they go
6 together?

7 MS. DUTY: Right.

8 MS. PIGEON: Just to make sure the
9 record reflects that.

10 MR. LAMBERT: Any other questions
11 or discussion from the Board?

12 [No response.]

13 MR. LAMBERT: Thank you, folks.

14 MR. SWARTZ: Thank you.

15 - - - - -

16 MR. LAMBERT: Calling Docket Item
17 Number 43, Range Resources will provide
18 testimony regarding the escrow audit for
19 2000 to 2009. It's Docket Number VGOB-12-
20 1218-3100.

21 All parties wishing to testify please
22 come forward.

23 MR. HORN: Phil Horn. I didn't
24 know I was going to have to get up and say

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1 anything today, but I brought an affidavit
2 signed by William Clear. He's been working
3 with these. This affidavit says that our
4 numbers match up with their numbers. So
5 unless you all have any questions or
6 concerns. We only had seven wells in 2009
7 that were involved.

8 MR. LAMBERT: Okay. Thank you,
9 Mr. Horn. We appreciate it.

10 - - - - -

11 MR. LAMBERT: Calling Docket Item
12 Number 44. Dart will provide testimony
13 regarding the escrow audit for the years
14 2000 through 2009, Docket Number VGOB-12-
15 1218-3101.

16 MR. COOPER: Mr. Chairman, I'll be
17 speaking for Dart on this. They only had
18 one well and one un-locatable, .23 acres
19 and they balanced to the penny.

20 MR. LAMBERT: And you have the
21 certification?

22 MR. COOPER: I have the
23 certification right here.

24 MR. LAMBERT: Thank you, Mr.

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Cooper.

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MR. LAMBERT: Calling Docket Item Number 45, Appalachian Energy will provide testimony regarding the escrow audit for the years 2000 through 2009, Docket Number VGOB-12-1218-3102.

All parties wishing to testify please come forward.

[The witness was sworn.]

MR. LAMBERT: Please state your names for the record?

BRAD CRABTREE: Brad Crabtree.

MELISSA DEMPSEY: Melissa Dempsey.

MR. LAMBERT: Mr. Crabtree.

BRAD CRABTREE: Our numbers match for the 2000-2009 audit period.

MR. LAMBERT: Thank you. That's all we need.

MELISSA DEMPSEY: Thank you.

MR. LAMBERT: Thank you all.

- - - - -

MR. LAMBERT: Calling Docket Item

1 Number 46. EQT will provide testimony
2 regarding the escrow audit for years 2000
3 through 2009, Docket Number VGOB-12-1218-
4 3103.

5 All parties wishing to testify please
6 come forward.

7 [The witness was sworn.]

8 MR. LAMBERT: State your name for
9 the record.

10 NICOLE ATKISON. Nicole Atkison.

11 MR. LAMBERT: Nicole?

12 NICOLE ATKISON: Yes.

13 MR. LAMBERT: Thank you. Go
14 ahead.

15 NICOLE ATKISON: I reviewed the
16 records like CNX had mentioned. We had a
17 spreadsheet from Rick Cooper with checks
18 that he couldn't find by reconciling with I'm
19 assuming what came from Wachovia Bank.
20 Checks that we had copies of we provided
21 those to him. The ones that were not
22 cashed we ended up having them reissued.

23 So from our standpoint the checks,
24 the money that we issued, does reconcile

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1 with what we sent for escrow.

2 I do have -- we were also sent
3 every docket number with all the auditor's
4 calculations of what we should have put in
5 the account versus what we did put in the
6 account and their calculations of what we
7 should have put in the account versus what
8 we actually paid into the account were
9 different.

10 They were basing their payments on
11 produced gas. We pay on sales gas. So
12 there was a discrepancy there. So I'm not
13 sure if anybody was looking at that but we
14 don't pay on produced gas. So that's why
15 our payments will not match that number
16 they put on the spreadsheets.

17 So I don't know if that's -- that's
18 not something that anybody else seemed to
19 mention. So I don't know if that's just our
20 spreadsheets. I looked at 302 accounts and
21 they did not match what we would have paid
22 because we don't pay based on those
23 numbers.

24 MR. LAMBERT: So how are you

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1 going to reconcile it?

2 NICOLE ATKISON: I can't. I
3 recalculated our numbers based on the sales
4 gas and it matched what we paid. So we
5 were within that but we can't pay based on
6 produced gas because we don't pay on that.

7 So the numbers that we provided to
8 the state are produced gas number. The
9 numbers that we provide on the check detail
10 are the sales numbers. So that's how those
11 numbers would be provided to the owners.
12 So I can't calculate something on something
13 we don't pay.

14 MR. LAMBERT: Mr. Cooper, can you
15 provide us some information on your
16 numbers versus what she just testified to?

17 MR. COOPER: Not exactly what
18 she's saying but, you know, even after we
19 did do the calculations we did also in this
20 same situation Wachovia shows a higher
21 deposit than what EQT has put in there. I
22 think that's what you're saying is the
23 discrepancy, the way production was priced
24 off production was calculated; correct?

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1 NICOLE ATKISON: Correct. I don't
2 think that Wachovia -- we don't have
3 Wachovia's records. So I don't know. We
4 had sporadic ones before 2010 if we had a
5 release. We don't have all of our accounts
6 from Wachovia. So the numbers are higher
7 at Wachovia due to fees and interest, but
8 the amount paid that was calculated on the
9 auditor sheets is higher based on the
10 produced gas numbers.

11 So I just want to make sure that's
12 not the number -- that's not the numbers
13 that we pay on.

14 MR. LAMBERT: Why don't your
15 numbers still match the bank's numbers?

16 NICOLE ATKISON: They match that.
17 They don't match the auditor's spreadsheet.
18 So what we paid into, that is what we paid
19 into the bank, but the auditor had a
20 separate number. There was a discrepancy
21 saying that we owed more money than we
22 actually should -- that we actually did pay
23 but we don't.

24 MS. PIGEON: Your auditors, your

1 internal auditors?

2 NICOLE ATKISON: No. The auditor
3 that happened -- from Farmer. I got sent a
4 bunch of -- the 302 dockets of what their
5 calculations were so I could find out where
6 the discrepancy was.

7 MR. LAMBERT: That was the sheet
8 that you got sent didn't come from our
9 office. That come from the work that the
10 Gas and Oil Division did.

11 NICOLE ATKISON: Okay.

12 MR. HARRIS: So is there gas out
13 there that's not been -- where's the other
14 gas?

15 NICOLE ATKISON: There's produced
16 gas and there's sales gas. So we only pay
17 on what we sell. It's lost and unaccounted
18 for gas. It's not anywhere.

19 MR. HARRIS: Wait a minute, wait,
20 wait. Say that again.

21 NICOLE ATKISON: There's produced
22 gas but what actually gets sent to the
23 market and actually gets sold is what we
24 pay on. That's the gas that we get paid for

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1 and that's what the owners get paid for. So
2 there's a discrepancy between -- say we
3 produce 1000 MCF's of gas but maybe we
4 only sell 900 MCF's of gas. So you get
5 paid for the 900 and that's what we pay for.

6 MR. HARRIS: What happens to the
7 other 100?

8 NICOLE ATKISON: It's nowhere. It
9 doesn't get paid.

10 MR. PRATHER: I can't be nowhere.

11 NICOLE ATKISON: It's more of a
12 gas measurement thing.

13 MR. PRATHER: Are you talking
14 about wellhead gas that's producing
15 wellhead, that price versus your sales price?
16 Is that what you're talking about.

17 NICOLE ATKISON: There's different
18 volumes. You send the produced gas to the
19 state. But there's also produced gas and
20 sales gas numbers.

21 MR. PRATHER: Oh, yeah.

22 MS. QUILLEN: What you report to
23 the state is the produced gas?

24 NICOLE ATKISON: It's the produced

1 numbers, yes.

2 MS. QUILLEN: But what you pay
3 your royalty owners is on what you have
4 actually sold it for?

5 NICOLE ATKISON: Yes.

6 MS. QUILLEN: Which is more than
7 what you actually reported?

8 NICOLE ATKISON: No. It's less.

9 MR. PRATHER: It's less.

10 MR. LAMBERT: What she's saying
11 is that it's less.

12 MR. HARRIS: So produced gas is
13 measured at the wellhead?

14 MR. PRATHER: It's metered gas.

15 NICOLE ATKISON: Right.

16 MS. QUILLEN: So your royalty
17 owners don't get paid for the high end there
18 where it's produced?

19 NICOLE ATKISON: Nobody does.
20 We don't get paid -- the produced gas is
21 more in number but the sales gas everybody
22 -- working interests and royalty owners get
23 paid for.

24 MS. QUILLEN: Who reported the

1 amount that you paid to your royalty
2 owners?

3 NICOLE ATKISON: It's on their
4 check stubs under the gross volume. So it's
5 on everybody's check stubs. Also it's on
6 the check stubs that go the DGO.

7 MS. QUILLEN: What is reported is
8 where the discrepancy is?

9 NICOLE ATKISON: Correct.

10 MS. QUILLEN: Because you report
11 the wellhead production?

12 NICOLE ATKISON: Correct.

13 MR. LAMBERT: I think we're making
14 this more complicated. All we're asking you
15 is the amount that you sold and put into
16 escrow matches what the bank has. It's as
17 simple as that.

18 NICOLE ATKISON: Then I would
19 agree with what CNX said, yes.

20 MR. LAMBERT: Are you prepared
21 like we asked to submit a certified statement
22 that that is correct?

23 NICOLE ATKISON: As long as I'm
24 only certifying that what we put in matches

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1 what they agree we put in. Yes, I'm willing
2 to certify that's what we put in minus all the
3 fees and interest.

4 MR. LAMBERT: The bank is just
5 dying to enter into this. So, Debbie, if you
6 could come forward and be shown. We
7 didn't swear her, did we?

8 THE REPORTER: No.

9 MR. LAMBERT: Come and be sworn,
10 Debbie, and shed some light on this for us.

11 MS. DAVIS: I just had a question.
12 [The witness was sworn.]

13 MS. DEBBIE DAVIS: My name is
14 Debbie Davis. My question is how are they
15 balancing with what the bank says when
16 they're still trying to escheat checks that
17 have not cleared to the state.

18 They've already done some of those
19 to the State of Tennessee that I'm still
20 trying to fight to get back.

21 I've gotten other letters from them
22 that they are trying escheat more monies to
23 the state that I've stopped and asked them
24 to re-issue checks to us from '04/'05.

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1 MS. ATKISON: It was my
2 understanding we had re-issued all of those
3 checks that they came out where they were
4 inadvertently escrowed, we got those back.
5 Our other accounting department does that
6 and we re-issued those back to the bank.

7 MS. DAVIS: My understanding

8 MS. ATKISON: They mistakenly got
9 escheated out of our account. At the time
10 the bank was in Tennessee. So it got sent
11 to escheat in Tennessee.

12 MS. PIGEON: The bank is in
13 Tennessee but the owners of the account
14 were right here.

15 NICOLE ATKISON: Right. That is an
16 accounting mistake by our other accounting
17 department.

18 MS. DAVIS: But I've still been
19 fighting with Tennessee because they still
20 say they hold those funds.

21 NICOLE ATKISON: It was my
22 understanding that had been resolved. This
23 is the first I'm hearing about it.

24 MS. DAVIS: I'm not for sure of the

1 dates that I had to send you letters because
2 there's another bunch of checks that were
3 getting ready to be escheated. I have those
4 records at my office.

5 MR. LAMBERT: An estimate of how
6 much are we talking about?

7 MS. DAVIS: Honestly I don't know
8 off the top of my head.

9 MR. LAMBERT: Thousands?

10 MS. DAVIS: Uh-huh.

11 MS. PIGEON: That would be a yes
12 for the record.

13 MS. DAVIS: Yes. I'm sorry. That
14 was my only question and concern.

15 MR. LAMBERT: So I guess the
16 bottom line on that is how can they
17 reconcile when there's checks that's been
18 escheated?

19 MS. DAVIS: Right. She's saying
20 they got the monies back from Tennessee
21 but as far as I know, Tennessee is telling
22 me they have those monies.

23 MS. PIGEON: You know you don't
24 have those monies; is that correct?

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1 MS. DAVIS: If they've been
2 reissued, I do not know that. I've not seen
3 a description come through as check
4 reissued to replace --

5 MS. PIGEON: That matches?

6 MS. DAVIS: Yes.

7 MR. LAMBERT: Mr. Cooper.

8 MR. COOPER: I guess I want to try
9 to clear this up. We based this on
10 deposits, not production. So actually what
11 we did deposits that were shown into
12 Wachovia we tried to tie that back to a
13 check number.

14 So we did not base this on, you
15 know, wellhead production versus sales
16 production. It was based on actual deposits
17 at the bank.

18 NICOLE ATKISON: Okay. Well, the
19 spreadsheets you had sent us, there were
20 two separate spreadsheets. We went
21 through all of those and the checks that
22 weren't with -- that we found that weren't
23 cashed we went and reissued but every other
24 check we accounted for and sent copies for.

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1 So I don't know where the other escheated
2 checks would be.

3 MR. HARRIS: Can I get an
4 explanation of this escheated. I know I've
5 heard the term.

6 MS. DAVIS: An escheated check is
7 -- well, with the State of Virginia after six
8 years if you've issued a check, then those
9 monies get escheated back to the state.

10 MR. HARRIS: What happens to
11 cause that.

12 MS. DAVIS: If it's unclaimed or
13 uncashed. It's still an outstanding check.

14 MR. HARRIS: That was the missing
15 link.

16 MS. DAVIS: Right.

17 MR. LAMBERT: So just to be clear,
18 you have letters that those funds have been
19 or will be escheated to the State of
20 Tennessee?

21 MS. DAVIS: I have --

22 MR. LAMBERT: But you don't have
23 records of it being reissued for those
24 checks?

1 MS. DAVIS: No.

2 MR. LAMBERT: And those checks
3 could be in the thousands of dollars?

4 MS. DAVIS: Yes.

5 MR. LAMBERT: Therefore, we can't
6 -- or EQT can't reconcile based upon --

7 MS. DAVIS: That was my question,
8 how --

9 MS. QUILLEN: I don't understand
10 how money was paid to the State of
11 Tennessee. That's my question.

12 NICOLE ATKISON: Because the
13 escrow agent was located in it says on the
14 order it has a Kingsport address.

15 MS. DAVIS: I still have questions
16 of that because those checks were initially
17 issued to Wachovia and so you're supposed
18 to, any time you're escheating a check, it
19 goes to who the original person that it's
20 issued to. You shouldn't be able to alter --
21 if I issued a check to Mr. Lambert and he
22 did not cash it, I couldn't six years down
23 the road escheat it to the state on behalf of
24 Sharon.

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1 MS. PIGEON: You would be
2 escheating to the State of Virginia, not to
3 the State of Tennessee even when you did
4 that.

5 MS. DAVIS: Yes. And that's been
6 one of my problems trying to reclaim the
7 money is --

8 MS. PIGEON: And you did not
9 escheat it? The bank is the escheating
10 holder of the money?

11 MS. DAVIS: Right, because I wasn't
12 escrow agent in '04 and '05. So I can't
13 prove to them -- I'm having problems proving
14 to them that I'm due the money.

15 MS. PIGEON: I understand that
16 you're having problems. I'm having a real
17 problem understanding how this could have
18 possibly happened.

19 MR. SWARTZ: The checks weren't
20 cashed.

21 MS DAVIS: Correct.

22 MS. PIGEON: But Tennessee has
23 nothing to do with it.

24 MR. HARRIS: Isn't their address in

1 Kingsport?

2 NICOLE ATKISON: The escrow
3 agent was in Kingsport.

4 MS. PIGEON: The bank is the
5 entity that escheats the money.

6 MR. SWARTZ: No. The checks
7 were drawn on EQT's account. They were
8 not presented for payment. They were
9 uncashed. Six years went by and that's why
10 they escrowed. The escrow agents weren't
11 even in the loop here.

12 MS. PIGEON: Because they didn't
13 get --

14 MR. SWARTZ: Which causes the
15 how could you balance. I don't know, but
16 the --

17 MS. PIGEON: So they didn't get the
18 money in the first place.

19 MR. SWARTZ: The Tennessee
20 escrow bank was not what triggered the
21 escheat. It was the fact that you issued a
22 check that was not cashed. It was on your
23 books for six years and it's escheated. You
24 know, the escheat occurred --

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1 MS. PIGEON: Except it was
2 Tennessee.

3 MR. SWARTZ: I don't know about
4 that either. I'm just saying this escheat
5 issue was an understand-presented check
6 problem that landed back in their bank
7 account. So the escrow agents weren't even
8 -- I don't know why the escrow agent in
9 Tennessee didn't cash the checks. Okay.

10 MS. DAVIS: No, no, no. Those
11 checks were initially issued to the escrow
12 agent to Wachovia six years ago to be
13 deposited into the escrow account.

14 MR. SWARTZ: That's what I'm
15 saying. I don't know why that didn't happen
16 because obviously they were uncashed.

17 MS. DAVIS: Exactly and that's
18 where I came into play that I want the
19 reconciliation to know that I'm receiving all
20 the checks and depositing them.

21 MS. PIGEON: And Wachovia is not
22 located in Tennessee in any of our
23 transactions.

24 MR. LAMBERT: Here's the issue we

1 have. The Board issued the letter to every
2 company to be here on today, December 18,
3 to reconcile their account or provide
4 testimony that they could agree within a
5 margin of accounting error that their account
6 was correct.

7 EQT has not been able to do that at
8 the direction of the Board and that's a
9 violation of a board order that could have
10 some pretty stiff ramifications if this Board
11 so desires to take those actions.

12 NICOLE ATKISON: I will say we
13 made our best effort to do that. Rick
14 Cooper gave us a list of all the checks that
15 were outstanding. We reconciled all of that
16 within our ability.

17 We don't have any Wachovia records
18 to reconcile with. So that's what we're
19 using as our balance sheet.

20 We reconciled everything that he
21 gave us. So, to the best of our ability we
22 did that.

23 MR. LAMBERT: We understand that
24 you probably couldn't go back to 2000, but

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1 that responsibility is upon you as a company
2 to provide us with that information that your
3 records are correct.

4 NICOLE ATKISON: We believe that
5 we did until I just heard about this literally
6 just now that this had happened. So I do
7 apologize but I did not know there were still
8 outstanding escheated checks.

9 MS. PIGEON: Well, the issue you
10 present about production gas versus sales
11 gas, I mean if that were really an issue,
12 everyone that has already spoken would have
13 had the same issue. So I'm having trouble
14 --

15 NICOLE ATKISON: I thought that
16 was part of the issue. Rick had sent me a
17 listing at a meeting a few months ago saying
18 that there was a discrepancy. I thought
19 that's where the discrepancy had come from,
20 not that there was outstanding checks. I
21 thought we had fixed the outstanding check
22 issue.

23 MR. LAMBERT: As the Board we
24 have a decision what kind of action we need

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1 to take against EQT for not presenting that
2 information today as requested.

3 I'm going to recommend to this
4 Board that since we don't have that
5 information that EQT not be allowed to bring
6 any more docket items before the Board for
7 an action, only disbursement orders until
8 such a time that they can present their
9 certification for reconciliation.

10 Is there any discussion?

11 [No response.]

12 MR. LAMBERT: With the
13 understanding that not following a board
14 order can carry much stiffer penalties -- I
15 mean pretty stiff fines if this Board so
16 desires, but I'm not proposing to this Board
17 that we go that way. I offer that for
18 discussion.

19 MS. QUILLEN: Do you have a time
20 frame on this?

21 MR. LAMBERT: No. It's just
22 whenever they can present their
23 reconciliation or provide testimony that they
24 agree.

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1 MS. QUILLEN: But if we don't put
2 a time frame around it, is that going to be
3 a problem for the auditors as they move
4 forward?

5 MR. LAMBERT: It will be.

6 MS. QUILLEN: I think we should
7 put a time frame --

8 MR. LAMBERT: Well, it is right now
9 if we don't have by the 1st of January when
10 we restart the audit, there's no way we can
11 complete it.

12 MS. QUILLEN: Right. I think we
13 should put a time frame around it and then
14 if that time frame is not met, then go to the
15 next step which would be the more severe
16 penalty.

17 MS. PIGEON: The time frame was
18 today.

19 MR. LAMBERT: What I'm suggesting
20 is that we vote to not allow EQT to bring
21 any more docket items before the Board and
22 we can say for the next month and if they
23 don't do it within a month, Ms. Quillen, what
24 your recommendation, that we move it to the

1 next date?

2 MS. QUILLEN: Yes. The next
3 Board meeting which is January 15th.

4 MS. SURRATT: Does that include
5 disbursements, Mr. Chairman?

6 MR. LAMBERT: No, it does not.

7 MS. SURRATT: It does not include
8 the disbursements.

9 MS. PIGEON: You have the same
10 statutory obligation.

11 MR. LAMBERT: I'll put that before
12 the Board for discussion.

13 MR. HARRIS: Mr. Chairman, let me
14 just ask a question. Would that involve also
15 this discrepancy I guess of the production
16 versus sales?

17 MR. LAMBERT: No. That has
18 nothing to do with it.

19 MS. QUILLEN: That has nothing to
20 do with it.

21 MS. PIGEON: That shouldn't be an
22 issue. I don't know why it is with them and
23 it wasn't with any of the other operators.

24 MS. QUILLEN: The check that was

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1 actually deposited, we don't care what it's
2 for, whatever the amount of that check that
3 was deposited, does that match up with what
4 the bank records say was deposited?

5 NICOLE ATKISON: May I make a
6 request. If I have to go back through with
7 the older checks that were through
8 Wachovia, I don't have a way to know which
9 checks those were. Since I don't have
10 those records, can those be provided to me?

11 MR. LAMBERT: If we have them in
12 our system or microfiche.

13 MR. COOPER: She's welcome to
14 come and look at anything we have.

15 MS. PIGEON: The figures, the
16 numbers, the dollars.

17 NICOLE ATKISON: That's fine. If
18 I can get a spreadsheet of --

19 MS. DAVIS: We don't have it on a
20 spreadsheet. We have it look at it on
21 microfiche. There are so many time-
22 consuming projects and we just have not
23 been doing it for anyone.

24 MR. LAMBERT: Any information you

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1 need will be provided to you. Any
2 information we have in our records will be
3 provided to you.

4 NICOLE ATKISON: Thank you.

5 MS. PIGEON: Will be available to
6 you, but you may have to come down to the
7 office and actually look at the microfiche
8 yourself.

9 NICOLE ATKISON: Okay.

10 MS. PIGEON: I think the other
11 operators did that.

12 NICOLE ATKISON: Okay.

13 MR. LAMBERT: Actually CNX spent
14 several days down there doing that.

15 NICOLE ATKISON: Okay. I wasn't
16 aware that we had to do that.

17 MR. LAMBERT: Any other
18 discussions.

19 [No response.]

20 MR. LAMBERT: If not, can I have
21 that in the form of a motion.

22 MS. QUILLEN: I make the motion
23 that we extend the deadline to January 15th
24 for the final certification and as a result of

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1 not meeting the deadline of December 18th,
2 EQT will not be allowed to present any
3 docket items before the Board except
4 disbursements docket items.

5 MR. HARRIS: I'll second that.

6 MR. LAMBERT: I have a motion and
7 a second. Any further discussion?

8 [No response.]

9 MR. LAMBERT: All in favor signify
10 by saying yes.

11 BOARD MEMBERS: Yes.

12 MR. LAMBERT: Opposed no.

13 [No response.]

14 MR. LAMBERT: Thank you. You
15 have until January the 15th.

16 NICOLE ATKISON: Thank you.

17 - - - - -

18 MR. LAMBERT: Okay. Moving on to
19 Docket Item Number 47. The Board will
20 receive an update of Board and Division
21 activities from the staff. I think we have a
22 little Power Point presentation that will take
23 just a few minutes. Mr. Cooper, you'll do
24 that along with our IT staff?

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1 MR. COOPER: Yes. I have two
2 items prior to that I need to go over real
3 quick.

4 MR. LAMBERT: If you can go over
5 them real quick.

6 MR. COOPER: I don't mean to
7 scare you.

8 MS. PIGEON: I'm already scared.

9 MR. COOPER: What we have here
10 is CNX has some accounts that are
11 outstanding there that may be anywhere from
12 a penny to two cents, 69 cents. For
13 whatever reason these accounts need to be
14 closed.

15 So I'm requesting to the Board that
16 we consolidate these 12 items here and
17 write CNX one check which will total \$30.74.

18 MR. LAMBERT: Will that close the
19 accounts?

20 MR. COOPER: It will close these
21 12. We have 30 more that we'll bring in
22 front of you during the next Board hearing.
23 The February Board hearing. You're not
24 coming in January. So it's February. We've

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1 got 32 more of these.

2 MS. PIGEON: Do you want the
3 escrow agent to write the check?

4 MR. COOPER: Write the check to
5 CNX. Instead of writing 12 checks, one
6 check for \$30.74.

7 MR. LAMBERT: Do I have a motion
8 before the Board to direct the escrow agent
9 to pay CNX \$30.74 to close out the accounts
10 on Exhibit AA.

11 MR. HARRIS: I so move.

12 MS. QUILLEN: Second.

13 MR. LAMBERT: I have a motion and
14 a second.

15 BOARD MEMBERS: Yes.

16 MR. LAMBERT: Opposed no.

17 [No response.]

18 MR. LAMBERT: Thank you, Mr.
19 Cooper.

20 MR. COOPER: I've got one more
21 item real quick.

22 I'm requesting the board to do it to
23 alleviate a lot of problems like we've had
24 today. We had Shirley Ball at our office

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1 scanning some of the escrow information.
2 She has worked the last month or so on the
3 accounting aspect, but I think we have seen
4 today if we can get all these escrow items
5 online to where everybody, all the citizens
6 in the Commonwealth and all the operators
7 can get to those and download those and
8 look at those, it could help to alleviate a lot
9 of problems.

10 So what I am doing is I'm asking if
11 I could extend Shirley Ball's time period to
12 scan items for escrow for three more
13 months.

14 MR. LAMBERT: Just to help the
15 Board understand this. Will that scanning of
16 those escrow items be a continuation of
17 updating the escrow spreadsheets and the
18 audit that we've been working on?

19 MR. COOPER: It will. Yes, it will.

20 MR. LAMBERT: It will make those
21 records electronic for easy access?

22 MR. COOPER: It will make them
23 electronic. It will make them searchable and
24 we'll put them on the web. Our goal is to

1 put them on a website available to all
2 citizens of the Commonwealth also.

3 MR. LAMBERT: You're asking for
4 through March?

5 MR. COOPER: Through March.

6 MR. LAMBERT: Any discussion from
7 the Board?

8 MR. RATLIFF: I'm make that
9 motion, Mr. Chairman.

10 MS. QUILLEN: Second.

11 MR. LAMBERT: I have a motion and
12 a second. Any further discussions?

13 [No response.]

14 MR. LAMBERT: All in favor signify
15 by saying Aye.

16 BOARD MEMBERS: Aye.

17 MR. LAMBERT: Opposed no.

18 [No response.]

19 MR. LAMBERT: She will be
20 extended through March of 2013.

21 MR. COOPER: So I'll talk real
22 quick here again. As we're talking here,
23 you know, as we come forth we've only got
24 6, 7 or 9 slides or something like that. As

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1 the Board has recommended we're going
2 forward in January to make all our data
3 electronic.

4 We already have those items
5 admitted. The Board docket has already
6 closed for January. What do we have, nine
7 items, seven?

8 MS. DAVIS: No more than 12.

9 MR. COOPER: So we want to just
10 give you a little briefing here. So hopefully
11 between now and January you can see the
12 process and download these or look at these
13 on whatever electronic device you have until
14 we get a permanent device for everyone.
15 There's a few thing before Mary gets started
16 that I want to make sure everybody is aware
17 of.

18 What we have done to try to
19 standardize this and make is easier for all
20 people and operators, for example, somebody
21 may have a AA and call it something and
22 somebody else may call the same docket a
23 B or J or whatever it might be.

24 So we took a lot of effort to

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1 standardize all the exhibits. So starting in
2 January we have an official name for all
3 items. This is not inclusive. We know this
4 list will grow, but as you see the particular
5 exhibits will all have the same name and
6 we've already extended it today. We added
7 a K to the bottom. It is a well location
8 exhibit. We've already extended that.

9 We don't know where the alphabet
10 may end, but for consistency and
11 standardization we sort of put all these
12 together so all companies will use the same
13 thing.

14 It's been very difficult for us to look
15 at 7, 8 or 9 different type of items. I'm
16 sure it's difficult for the Board, too. So
17 we're trying to standardize that.

18 So if you look at page 3, pooling,
19 it's the same page 3 for all operators. I
20 think going forward that will make it a whole
21 lot easier for everyone.

22 Another item that we have
23 standardized, we went to VOGA, Virginia Oil
24 and Gas Association, in October and we told

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1 anyone that had any ideas on how to do an
2 AFE, Authorization for Expenditure, to come
3 forward, we need to standardize that.

4 We did take recommendations from
5 the operators. We had three different
6 recommendations. So this right here will be
7 the standard AFE going forward. We won't
8 accept anything except this form. If some
9 operator does not fill out every blank it, I
10 guess they'll say we don't actually account
11 for that particular item. This is our best
12 effort working with all the operators to come
13 up with standard AFE. So going forward no
14 matter what company comes up, you're
15 looking at the same form and it should be
16 easier to read in a readable format.

17 Also one other thing that we have
18 done. There's been a lot of discussion
19 amongst the Board on W-9's. So if you're
20 doing a disbursement we added a statement
21 on the disbursement sheet that I certify that
22 I have hereby -- and we've quoted a section
23 of the law -- submitted W-9's to the escrow
24 agent prior to submitting this disbursement.

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1 So going forward that should never
2 be a concern of the Board. It should always
3 be done and if we don't have those
4 certifications we will not accept
5 disbursements going forward. It just makes
6 it cleaner, sweeter and more efficient.

7 That's just a few of the times. We
8 have a few other items that we have put in
9 there. We put a standard format.

10 For you that don't know, it's Mary
11 Baker back here at the back, Program
12 Analyst, Jim Lovett, who put a lot of work in
13 that. We also have Matt Salyers here.
14 He's a contract program analyst, and Diane
15 Davis. They put literally hundreds of hours
16 in this.

17 We know it won't be perfect going
18 forward. We know there's going to be a few
19 pumps in the road. But I think six months
20 or a year from now, I think everyone will
21 really like this project much better. It just
22 runs so much smoother in review time. I
23 guess we've taken some criticism for not
24 processing orders or whatever the situation

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1 might be timely. This is our best effort to
2 try to alleviate some of those problems.

3 What that I'll leave Mary to show
4 you the slides.

5 [Power Point presentation by Mary
6 Baker.]

7 [The meeting concluded at 4:45
8 p.m.]

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COMMONWEALTH OF VIRGINIA
COUNTY OF WISE

CERTIFICATE OF NOTARY PUBLIC

I, Rosemary P. Guthrie, the officer before whom the foregoing was taken, do hereby certify that the witnesses were duly sworn by me; that the testimony of the witnesses were taken by me to the best of my ability and thereafter reduced to typewriting; that I am neither counsel for, related to, nor employed by the parties to the action, nor financially or otherwise interested in the outcome of the action.

ROSEMARY P. GUTHRIE
NRN: 363954

My commission expires:
June 30, 2013

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