

DEPARTMENT OF MINES, MINERALS AND ENERGY

VIRGINIA GAS AND OIL BOARD HEARING

FEBRUARY 19, 2013

LEBANON, VIRGINIA

Appearances:

Board Members:

Bradley Lambert, Chairman

Bruce Prather, Oil and Gas Industry Representative

Mary Quillen: Public Member

Donald Ratliff: Coal Industry Representative

Bill Harris: Public Member

Rita Surratt: Public Member

Also Present:

Rick Cooper, Principal Executive to the Staff of the Board

Diane Davis, DGO Staff

Sharon Hagy, DGO Staff

David Sanders, DMME IT Department Staff

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BRADLEY LAMBERT: I will begin this session by asking the Board Members to please introduce themselves and I will begin with Ms. Surrentt.

RITA SURRATT: Rita Surrentt, Dickenson County

SHARON PIGEON: I am Sharon Pigeon with the Office of the Attorney General.

BRADLEY LAMBERT: I am Butch Lambert with the Department of Mines, Minerals and Energy.

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

DONNIE RATLIFF: I am Donnie Ratliff representing the coal.

BRUCE PRATHER: I am Bruce Prather; I represent the oil and gas industry for the Board.

MARY QUILLEN: Mary Quillen, public member

BRADLEY LAMBERT: Thank you ladies and gentlemen. I would like to remind this morning if you have cell phones or other communication devices to please turn those off or put them on vibrate. We are recording these proceedings, and we need to be able to hear without any interruptions. Thank you. If you need to take a phone call or a message, please do so out in the hall.

ITEM 1

No public comments were received

ITEM 2

BRADLEY LAMBERT: The first item on our docket this morning is the Board will receive a quarterly and year-end report from the First Bank and Trust, escrow agent for the Board's escrow account. This was continued from our January meeting. Good morning.

DEBBIE DAVIS: Good morning. My name is Debbie Davis. I am the Trust Officer with First Bank and Trust Company; and this is Mr. George Taylor, our new Department Head.

BRADLEY LAMBERT: Good morning glad to have you with us.

DEBBIE DAVIS: I will start. Everyone should have their booklets in front of them. Under tab two, I did a fourth quarter summary. I know at the last meeting I had reported on two months of that so I went ahead and wanted to add the third month into this. We started out with a beginning balance of \$27,567,903.45. We have deposits of \$282,470.19. Interest earned between money market and CDars for the quarter was \$26,336.99. Our management fees were \$6,888.12. We had distributions per orders of \$221,426.41. There were audit expenses of the \$9,353 which left us with a December 31 balance of \$27,639,043.14. Also, just to kind of give you an idea, I did an annual summary, which is the next page. I know you are always curious to know how much distributions that have been completed. For the 2012 year, we had distributions of \$2,599,220.03, which I think was a very good year. Also, you will see what the audit expenses were for the year. I think that included one of the final payments out to the accounting firm. Does anyone have any questions on these summaries? If not, we will continue on to tab three. This is just a reporting to let you know of what outstanding checks we have that has been issued and a few have been returned to us and then some of them have just not been cashed. These checks will be escheated to the State of Virginia after five years.

BILL HARRIS: Just a quick question, I noticed several of these were voided by the recipient.

DEBBIE DAVIS: They wrote void on the check. I am still holding the check.

BILL HARRIS: They did return the check to you all with no explanation?

DEBBIE DAVIS: I am holding those in a file. I think this one...

BILL HARRIS: There is a Deel, a Bailey...

DEBBIE DAVIS: The Deel's. I think they may be involved in one of the lawsuits or something, and they were not going to cash them. I have

explained to them. I think I have been on the phone that we have issued these funds and you are still getting your tax reporting on them and in five years it is going to be escheated. It was your choice not to cash the checks; we were told to issue those.

MARY QUILLEN: Since it was 2010, they are three years into their five years.

DEBBIE DAVIS: Yes, they are.

MARY QUILLEN: Okay.

DEBBIE DAVIS: If at any time they would call me up and say yea go ahead and give me the monies before that five years was up, I would reissue those checks and send them the monies.

BILL HARRIS: That was my next question.

DEBBIE DAVIS: Normally any of these that have an older date on them, if we do find a contact, those checks get re-issued with a current date so they don't have any problem putting those through their banks.

MARY QUILLEN: This incorrect address, on those, what do you know about what was followed up on that for the address?

DEBBIE DAVIS: It seems like on that one we have had two or three different addresses and

MARY QUILLEN: Okay and they still not claimed.

BRADLEY LAMBERT: Are you communicating with Rick and Diane on those incorrect addresses.

DEBBIE DAVIS: Yes and I am with the producers if they have something different.

BRADLEY LAMBERT: Okay.

DEBBIE DAVIS: So we are all working really close to try and find the people, if somebody has an address, we try to share those. Sometimes they work and sometimes they do not.

BRADLEY LAMBERT: Okay.

DEBBIE DAVIS: Is there any other questions on that section?

BRADLEY LAMBERT: So total, we have \$8,399 that is in suspended funds.

DEBBIE DAVIS: That total has come down since last year. We have been able to locate some people and re-send those checks out to them. So that is something I continue to work on. You never know if a family member is here since this does become public record...

BRADLEY LAMBERT: Does that balance show up in the overall escrow of the twenty-seven million?

DEBBIE DAVIS: No, it does not. That is actually showing in the disbursement column.

BUTCH LALMBERT: Okay, thank you.

DEBBIE DAVIS: ...because those funds technically have been removed from your balance.

MARY QUILLEN: Most of these are fairly small amounts. There is maybe a half a dozen that are significant amounts.

DEBBIE DAVIS: Mr. Cantrell was upset because he said it was going to cost him more to cash those than they were written for. His bank supposedly charges \$5 to \$8 per check to cash it. So he wasn't cashing it and when I wanted to send him a check with a larger amount then I could do that, but otherwise, no.

MARY QUILLEN: He didn't have an account to deposit them into?

DEBBIE DAVIS: He lives in Texas; I do not know.

MARY QUILLEN: Oh. I would say Virginia will appreciate this money but there are just a few that are significant amounts, less than ten it looks like.

DEBBIE DAVIS: Yes. Under tab four, is just a breakout per well with the values. I have already gone over those. Actually this is for the end of January; I apologize, so the total at the end of January was \$27,764,017.80. You can find that on page 24. Of course, that last sheet, there are units or wells that have been approved that we have just not received any deposits on as of to date. Are there any questions on this spreadsheet?

MARY QUILLEN: This one that is listed Chesapeake. Is that Chesapeake-Appalachia or is that the Chesapeake that Range had bought there.

BRUCE PRATHER: Chesapeake Energy.

RICK COOPER: Where are you looking?

DEBBIE DAVIS: It is on the unfunded.

MARY QUILLEN: It is one of two after page 24.

RICK COOPER: I will give you an update. We are going through these here trying to find out. I will talk about this later, but there are some of these have expired, these unfunded accounts, and we are trying to go through this process in the next couple of months to try and clear up some of these activities. We did that at the last meeting and going forward. We have a couple today that we want to go on record and expire, and Chesapeake may be one of those. We will report on that next meeting.

MARY QUILLEN: Okay.

DEBBIE DAVIS: If there are no further questions, under tab five, we will go over the investments. In the ICS money market account, we currently have \$3,104,017.79 that is earning 20 basis points. We have currently \$3,120,000 in a six-month CD earning the 20 basis points. Then we have \$21,540,000 invested into twelve-month CD. You will notice we still have a couple left of the 50 basis points of those and then the new ones are, of course, at 30 basis points. You will look on the second page. I have included the Treasury Bill rates, the current ones, and also the Treasury bond rates just to let you know where we are at versus other options that we have at the moment. One of the things, and Mr. Taylor here will expand on that, since the annual CD, the twelve month CDs are

renewing at a 30 basis points; and basically that money is being rolled over each time at maturity, it may be something we want to look at some time this year. Maybe investing part of those monies and maybe going out to possibly a three year and tying up a piece of that money just to get us a better return. I know the Board likes the short term; but I think if we keep enough funds liquid, some of that other monies, we could be doing a better return for the account if we did extend out the term on those a little bit.

MARY QUILLEN: How stable have those Treasury bonds been over this past year?

GEORGE TAYLOR: I think they have been very stable. The only increase in yield...I am sorry...

MARY QUILLEN: I just worry about those. I don't have a whole lot of confidence in our government.

GEORGE TAYLOR: The only increase in yields we have seen is that the ten year, the yield on the ten year Treasury Note, has ticked up a bit in the last week or so, but not enough to get anybody excited. Everything I have been reading and we believe that this is the case, that due to the unprecedented level of monetary accommodation by the Federal Reserve, that interest rates are going to stay very low into 2015. I think in terms of these, Treasury Bill rates are not going to increase anytime soon. We just don't think that is going to happen. We do think we need to be careful with bonds when rates start going up. Those bond prices are going to correct downward pretty quickly.

MARY QUILLEN: Right.

GEORGE TAYLOR: So I think overall your strategy here is pretty....

MARY QUILLEN: And that is the thing with the three year that makes me a little nervous is committing that to three years because the next three years I....

GEORGE TAYLOR: I would think that would be where the tranche of funds that you would have to say we know we are not going to spend that. We just feel 90% certain we are not expending that, and you would leave the rest in a liquid vehicle. The bond market, we feel like is can have

dangers down the road again when the rates inevitably normalize, those prices will correct downward, and it is going to hurt some folks.

MARY QUILLEN: So we don't want to have a lot of money tied up in that long term in something that ...

DEBBIE DAVIS: Right; and at any time Mr. Hyter, of course, can adjust our renewal rates on the CDars. Right now he has chosen to leave those where we are at.

MARY QUILLEN: Right.

DEBBIE DAVIS: I am just trying to keep our options open in case that does occur.

MARY QUILLEN: Uh huh, good, yea.

DONNIE RATLIFF: Mary, if it makes you feel better, the current administration has only got 1,421 days left. Not that we are counting.

(Laughter)

MARY QUILLEN: Exactly, but it doesn't make me feel any better either.

DEBBIE DAVIS: Are there any other questions or concerns that we can address with you today?

MARY QUILLEN: Well, this gives us something to think about as these come to maturity.

BRUCE PRATHER: If there is very little drilling to be done in the next three years, this account will essentially be pretty well stable. In other words, when they drill more wells and stuff, then the account grows; but if we don't drill anymore wells than we have been drilling in the last six months, this is not going to grow much. So, maybe we could possibly look at something that is a little bit different than what we have been looking at.

DEBBIE DAVIS: Right, that is the reason I am saying just maybe a portion, not the entire balance of those twelve month CDars. Just maybe a

portion and that way to go ahead and get a little better interest while we are sitting here waiting to see....

MARY QUILLEN: 413 days

DEBBIE DAVIS: I think it was 1,400...

MARY QUILLEN: Oh, 1,400; I am sorry.

(Laughter)

DEBBIE DAVIS: We can only wish. If that is all, it has been a pleasure as always.

BRADLEY LAMBERT: Thank you.

DEBBIE DAVIS: I do have one other thing. Fingers crossed, this will be the first month with CNX checks will be a direct deposit. Those should be coming in this week, direct deposit, and so I hope to report good things at the next meeting that that has went very well. EQT reported to me also on Friday those escheated checks to the state of Tennessee, they have re-issued those; and they are going to be getting those funds back from the State of Tennessee themselves.

MARY QUILLEN: Very good.

BRADLEY LAMBERT: Thank you folks. As always, we appreciate the diligent work that you do in helping us manage that escrow account and keeping us very well updated. We appreciate that. Thank you, Mr. Taylor.

ITEM 3

BRADLEY LAMBERT: The next item on the docket is the Board on its own motion will receive testimony from EQT Production Company LLC regarding the escrow audit for the years 2000-2009. This is docket number VGOB-12-1218-3103. All parties wishing to testify please come forward.

Rita Barrett being duly sworn

RITA BARRETT: *I am Rita Barrett. As you guys know, I am a contract land agent for EQT. I have an affidavit that Nikki Atkinson had previously provided to Mr. Cooper that I would like to read. It is dated January 15 of this year. It says, "I the undersigned being a representative of EQT Production solemnly affirm and attest under penalty of perjury that I have verified all escrow deposits of well number..." and she attached a list of 301 wells, "as provided to me by the Virginia Gas and Oil Board against records of the company listed above. I further affirm and attest under penalty of perjury that I found the report of deposits attached submitted to me by the Virginia Gas and Oil Board to be an accurate and complete accounting of escrow deposits for the wellunits listed above." Signed by Nikki, it is notarized; and I think she provided you (Rick Cooper) the original.*

RICK COOPER: *She did provide me an original.*

BRADLEY LAMBERT: *Thank you, Ms. Barrett; we appreciate that.*

RITA BARRETT: *You are welcome. Do you guys need a copy of this?*

BRADLEY LAMBERT: *We don't as long as Mr. Cooper has a copy we are okay.*

RITA BARRETT: *I also have an e-mail here, this is probably not part of this, but Nikki indicates in her e-mail that the escheated money that was discussed in December was in fact at the bank other than a small amount and EQT had re-issued the checks and they are trying to re-coop the monies from the State of Tennessee.*

BRADLEY LAMBERT: *Great, thank you. Are there any questions from the Board?*

(No response)

ITEM 4

BRADLEY LAMBERT: *Calling docket item number four, a petition from EQT Production Company LLC for the disbursement of funds from escrow for tract 5 for Otis Gilbert and Edna Gilbert for well VC-536336.*

This is docket number VGOB-09-1215-2646-01. All parties wishing to testify please come forward.

JIM KAISER: Mr. Chairman and board members, Jim Kaiser and Rita Barrett on behalf of EQT Production.

BRADLEY LAMBERT: Morning, Mr. Kaiser.

JIM KAISER: Morning

BRADLEY LAMBERT: You may proceed.

JIM KAISER: Ms. Barrett, if you would state your name and who you are employed by and in what capacity.

RITA BARRETT: My name is Rita McGlothlin Barrett and I am employed by EQT Production Company as a contract land agent.

JIM KAISER: Is this hearing on a disbursement request for the unit for well number 536336.

RITA BARRETT: That is correct.

JIM KAISER: Have all parties been notified as required by Statute?

RITA BARRETT: Yes.

JIM KAISER: Is this a partial or full disbursement?

RITA BARRETT: This is a partial disbursement.

JIM KAISER: And it is for Tract 5 in the unit?

RITA BARRETT: Yes sir.

JIM KAISER: And what is the basis for the relief requested?

RITA BARRETT: We have a letter dated November 26, 2012, wherein Range Resources releases their claim to the CBM royalty.

JIM KAISER: And has EQT reconciled their figures for this disbursement with the bank?

RITA BARRETT: Yes they have, and I will point out on your exhibits these spreadsheets don't have dates on them; but I confirmed with Christie Shannon yesterday, this particular reconciliation is as of November 9, 2012.

JIM KAISER: And when you say spreadsheet that is what we have been calling our exhibit AA.

RITA BARRETT: Yes

JIM KAISER: Okay. For this particular well that is as of November 9, 2012.

RITA BARRETT: Correct

JIM KAISER: What percentage escrow should be used for disbursement purposes for the Board?

RITA BARRETT: 100%

JIM KAISER: Who should receive the disbursements?

RITA BARRETT: Otis Shea Gilbert and Edna Gilbert.

JIM KAISER: Have you provided to the Board with Exhibits E and EE to reflect the facts of this disbursement?

RITA BARRETT: Yes

JIM KAISER: Would you ask that the order include language that the royalty owner be paid directly going forward?

RITA BARRETT: Yes

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

**BRADLEY LAMBERT: Any questions from the Board? (no response)
Anything further Mr. Kaiser?**

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

BRADLEY LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second

BRADLEY LAMBERT: I have a motion and a second; any further discussion. All in favor signify by saying yes; opposed (no response). Thank you, Mr. Kaiser, that is approved.

JIM KAISER: Thank you.

ITEM 5

BRADLEY LAMBERT: Calling docket item number 5, a petition from EQT Production Company, LLC for the disbursement of funds from escrow from Tracts 1, 2 and 4 for Alcie Keen for unit VC-536070, docket number VGOB-04-0921-1337-06. All parties wishing to testify please come forward.

JIM KAISER: Again, Jim Kaiser and Rita Barrett on behalf of EQT Production.

BRADLEY LAMBERT: You may proceed Mr. Kaiser.

JIM KAISER: Again, is this a disbursement request?

RITA BARRETT: It is.

JIM KAISER: Have all parties been notified as required by Statute?

RITA BARRETT: Yes

JIM KAISER: This one we filed and continued a couple of times. Can you kind of explain why that happened?

RITA BARRETT: *Diane can probably explain it better than I can, but apparently there were some issues on previous disbursements and I think you guys have worked this out and you are moving forward on this one now.*

JIM KAISER: *I think this is the sixth disbursement out of this unit. I can understand that and it is the unit for well number 536070?*

RITA BARRETT: *That is correct.*

JIM KAISER: *Is this a partial or full?*

RITA BARRETT: *This is a partial.*

JIM KAISER: *And it involves what tracts?*

RITA BARRETT: *Tracts 1*

JIM KAISER: *One, two and four*

RITA BARRETT: *One, two and four*

JIM KAISER: *And the basis for the relief requested?*

RITA BARRETT: *We received letters from Range Resources relinquishing their claim to the CMB royalty.*

JIM KAISER: *And has EQT reconciled their figures with the bank?*

RITA BARRETT: *Yes*

JIM KAISER: *This particular disbursement; the figures and amounts reflected on schedule AA, is as of what date?*

RITA BARRETT: *I don't have a date on this one. I assume it was the date of the previous application. I apologize; I do not have a date.*

SHARON PIGEON: *Rita, do you have a date on your waiver letter from Range?*

RITA BARRETT: No, it would have been in the previous application, I am probably....

SHARON PIGEON: Do you have it in your files?

JIM KAISER: Probably. Yes, May 3, 2011.

SHARON PIGEON: On the letter?

JIM KAISER: Yes. It looks to me like what I have got as far as the reconciliation sheet goes this might only be through, I am going to go with November, 2009.

RITA BARRETT: I would say that is accurate because we have continued this on several occasions. We were trying to figure out...

JIM KAISER: Let me back that up to September, 2009, looks like. We can verify that for you.

MARY QUILLEN: Did you say 2011?

JIM KAISER: 2009

MARY QUILLEN: 2009

SHARON PIGEON: During this time that you all have been working with Diane or whoever to get the questions resolved, have the percentages changed?

RITA BARRETT: No

SHARON PIGEON: So even though we are working off of 2009, the percentages are still accurate?

RITA BARRETT: That is correct.

JIM KAISER: I think what happened is we have had so many disbursements it has made the thing tough to follow.

RITA BARRETT: Correct

SHARON PIGEON: You had to hold up this one until that one went out.

JIM KAISER: Right

RITA BARRETT: Right

JIM KAISER: This is our sixth disbursement out of this unit.

SHARON PIGEON: We have the Range Resources letters in the previous filings, so I have it all here. Thank you.

JIM KAISER: What percentage escrow should be used for disbursement purposes?

RITA BARRETT: 100%

JIM KAISER: Who should receive the disbursements?

RITA BARRETT: Alice Keen on Tract 1, Alice Keen on Tract 2 and Alice Keen on Tract 4.

JIM KAISER: You mean Alcie Keen?

RITA BARRETT: I mean Alcie again; I have tried to get them to make these bigger. I need to bring my magnifying glass.

(Laughter)

MARY QUILLEN: What did you say the name was?

JIM KAISER: It is Alcie Keen A-L-C-I-E. Have you provided to the Board with Exhibits E and EE to reflect the facts of this disbursement?

RITA BARRETT: Yes, we have.

JIM KAISER: Would you ask that the order contain language asking that the royalty owner be paid directly going forward?

RITA BARRETT: Yes

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

BRADLEY LAMBERT: Any questions from the Board? (no response) Anything further Mr. Kaiser?

JIM KAISER: We ask that the application be submitted with the caveat that we will verify what date those figures are through.

BRADLEY LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve pending the receipt of the reconciliation date.

BILL HARRIS: Second

BRADLEY LAMBERT: I have a motion and a second, any further discussion. All in favor signify by saying yes; opposed (no response). Rick and Diane, just for clarification, we on the electronic copy we did not get a copy of the letter.

SHARON PIGEON: I had it in the previous file; that is why I had it.

BUTCH LAMBER: Thank you.

ITEM 6

BRADLEY LAMBERT: We are calling docket item number six a petition from EQT Production Company LLC for disbursement of funds from escrow for tracts 2 and 5 on behalf of Otis Gilbert and Edna Gilbert from well VC-539894. Docket Number VGOB-09-1117-2630-01. All parties that wish to testify please come forward.

JIM KAISER: Ms. Barrett, again, is this a disbursement request?

RITA BARRETT: It is.

JIM KAISER: Have all parties been notified as required by Statute?

RITA BARRETT: Yes sir.

JIM KAISER: And it is for the unit for well VC-539894?

RITA BARRETT: That is correct.

JIM KAISER: And it is for what tract or tracts?

RITA BARRETT: Tracts 2 and 5.

JIM KAISER: And what is the basis for the relief requested?

RITA BARRETT: We have a letter dated November 26, 2012, wherein Range Resources releases their claim to the CBM royalty.

JIM KAISER: Is this a partial or full disbursement?

RITA BARRETT: It is a partial.

JIM KAISER: And have the figures been reconciled between EQT and the bank?

RITA BARRETT: They have as of December 12, 2012.

JIM KAISER: What percentage escrow should be used for disbursement purposes for the Board?

RITA BARRETT: 100%

JIM KAISER: Who should receive the disbursements?

RITA BARRETT: Otis Shea Gilbert and Edna Gilbert.

JIM KAISER: Have you provided to the Board with Exhibits E and EE to reflect the facts of this disbursement?

RITA BARRETT: Yes

JIM KAISER: Would you ask that any order state that the royalty be paid to these folks directly going forward?

RITA BARRETT: Yes

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

BRADLEY LAMBERT: Ms. Barrett, did you have a reconciliation date on this one?

RITA BARRETT: Yes, December 12, 2012.

BRADLEY LAMBERT: You said that, I am sorry.

RITA BARRETT: That is okay.

JIM KAISER: 12/12/12

BRADLEY LAMBERT: 12/12/12 Any questions from the Board? (no response) Anything further, Mr. Kaiser?

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

BRADLEY LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second

BRADLEY LAMBERT: I have a motion and a second; any further discussion. All in favor signify by saying yes; opposed (no response). Thank you, Mr. Kaiser.

RITA BARRETT: Thank you.

ITEM 7

BRADLEY LAMBERT: We are calling docket item number 7 a petition from EQT Production Company LLC for disbursement of funds from escrow for tracts 1 and 2. This is from well VC-537108. It will be docket number VGOB-09-0421-2515-03. All parties wishing to testify please come forward.

JIM KAISER: *Ms. Barrett, again, is this a disbursement request?*

RITA BARRETT: *It is.*

JIM KAISER: *Have all parties been notified as required by Statute?*

RITA BARRETT: *Yes sir.*

JIM KAISER: *It is for the well servicing the unit or the well VC-537108?*

RITA BARRETT: *That is correct.*

JIM KAISER: *And what tracts does this cover?*

RITA BARRETT: *Tracts 1 and 2*

JIM KAISER: *Is it a partial or full disbursement?*

RITA BARRETT: *This is a partial.*

JIM KAISER: *And what is the basis for the relief requested?*

RITA BARRETT: *We have a letters to the various parties, they were dated in November, 2012, wherein Range Resources relinquishes their claim to the Coalbed Methane royalty.*

JIM KAISER: *And have EQT figures and the banks figures been reconciled?*

RITA BARRETT: *They have as of November 9, 2012.*

JIM KAISER: *What percentage escrow should be used for disbursement purposes for the Board?*

RITA BARRETT: *100%*

JIM KAISER: *I don't think we are going to ask you to state everybody that is going to receive these disbursements, but it should be all the royalty owners listed in our Exhibit AA.*

RITA BARRETT: That is correct.

JIM KAISER: Have you provided to the Board with Exhibits E and EE to reflect the facts of this disbursement?

RITA BARRETT: We have.

JIM KAISER: Would you ask that any order include language that these royalty owners be paid directly going forward?

RITA BARRETT: Yes

JIM KAISER: Nothing further of this witness at this time.

BRADLEY LAMBERT: Any questions from the Board? (no response) Anything further Mr. Kaiser?

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

BRADLEY LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second

BRADLEY LAMBERT: I have a motion and a second; any further discussion. All in favor signify by saying yes; opposed (no response). Thank you Mr. Kaiser.

JIM KAISER: Thank you.

RITA BARRETT: Thank you.

ITEM 8

BRADLEY LAMBERT: Calling docket item number 8, a petition from EQT Production Company, LLC for disbursement of funds from escrow in tract 5 on behalf of Otis Gilbert and Edna Gilbert for well VC-539896,

Docket Number VGOB-09-1117-2629-01. All parties wishing to testify please come forward.

JIM KAISER: Ms. Barrett, is this again a disbursement request?

RITA BARRETT: It is.

JIM KAISER: Have all parties been notified as required by Statute?

RITA BARRETT: Yes

JIM KAISER: It is for unit serving the well VC-539896?

RITA BARRETT: Yes.

JIM KAISER: Which tract?

RITA BARRETT: Tract number 6.

JIM KAISER: Is this a partial or full disbursement?

RITA BARRETT: This is a partial.

JIM KAISER: Basis for the relief requested?

RITA BARRETT: There is a letter dated November 26, 2012, wherein Range Resources relinquishes its claim to the coalbed methane royalty.

JIM KAISER: And have the figures been reconciled between EQT and the Bank?

RITA BARRETT: Yes; they have as of December 12, 2012.

JIM KAISER: What percentage escrow should be used for disbursement purposes?

RITA BARRETT: 100%

JIM KAISER: Who should receive the disbursements?

RITA BARRETT: Otis Shea Gilbert and Edna Gilbert.

JIM KAISER: Have you provided to the Board with Exhibits E and EE to reflect the facts of this disbursement?

RITA BARRETT: Yes

JIM KAISER: Should the order contain language stating that the royalty owner be paid their royalty directly going forward?

RITA BARRETT: Yes sir.

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

BRADLEY LAMBERT: Any questions from the Board? (no response) Anything further Mr. Kaiser?

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

BRADLEY LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second

BRADLEY LAMBERT: I have a motion and a second; any further discussion. All in favor signify by saying yes; opposed (no response). Thank you Mr. Kaiser.

JIM KAISER: Thank you.

RITA BARRETT: Thank you.

ITEM 9

BRADLEY LAMBERT: Calling docket item number 9, a petition from EQT Production Company for disbursement of funds in escrow for tracts 3, 5, 6, 7 and 8. This is from well VC-537111, Docket Number VGOB-07-0619-1953-03. All parties wishing to testify please come forward.

JIM KAISER: Ms. Barrett, is this again a disbursement request?

RITA BARRETT: It is.

JIM KAISER: Have all parties been notified as required by Statute?

RITA BARRETT: Yes

JIM KAISER: This is a disbursement for unit 537111?

RITA BARRETT: That is correct.

JIM KAISER: What tracts?

RITA BARRETT: Tracts 3, 5, 6, 7 and 8.

JIM KAISER: Is this a partial or full disbursement?

RITA BARRETT: This is a partial.

JIM KAISER: What is the basis for the relief requested?

RITA BARRETT: We have letters of various dates wherein Range Resources relinquishes their claim to the CBM royalty.

JIM KAISER: And have the figures been reconciled between EQT and the Bank?

RITA BARRETT: They have as of November 9, 2012.

JIM KAISER: What percentage escrow should be used for disbursement purposes?

RITA BARRETT: 100%

JIM KAISER: And the royalty owners who should receive those disbursements are listed on the two page exhibit AA?

RITA BARRETT: That is correct.

JIM KAISER: Have you provided to the Board with Exhibits E and EE to reflect the facts of this disbursement?

RITA BARRETT: Yes

JIM KAISER: Would you ask that any royalty due these royalty owners be paid directly to them going forward?

RITA BARRETT: Yes sir.

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

BRADLEY LAMBERT: Any questions from the Board? (no response) Anything further Mr. Kaiser?

RICK COOPER: If she could, Rita would, repeat the tracts on that again.

RITA BARRETT: Yes sir, we are showing tracts 3, 5, 6, 7 and 8.

BRADLEY LAMBERT: That is what we are showing.

DIANE DAVIS: Really

SHARON PIGEON: That is on the docket.

BRADLEY LAMBERT: Mr. Cooper says we are good to go. Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second

BRADLEY LAMBERT: I have a motion and a second; any further discussion. All in favor signify by saying yes; opposed (no response). Thank you Mr. Kaiser.

JIM KAISER: Thank you the petition is approved.

ITEM 10

BRADLEY LAMBERT: Calling docket item number 10, a petition from EQT Production Company for disbursement of funds from escrow in tracts 2 and 3. This is well VC-501843. Docket Number VGOB-06-1114-1763-03. All parties wishing to testify please come forward.

JIM KAISER: Ms. Barrett, is this again a disbursement request?

RITA BARRETT: Yes sir.

JIM KAISER: All parties been notified in accordance with Statute?

RITA BARRETT: Yes sir

JIM KAISER: It is for unit serving the well VC-501843?

RITA BARRETT: That is correct.

JIM KAISER: What tracts?

RITA BARRETT: Tracts 2 and 3.

JIM KAISER: Is this a partial or full disbursement?

RITA BARRETT: This is a partial.

JIM KAISER: Factual basis for the relief requested?

RITA BARRETT: We have letters dated November, 2012, wherein Range Resources relinquishes their claim to the coalbed methane royalty.

JIM KAISER: And have the figures been reconciled between EQT and the Bank?

RITA BARRETT: They have as of November 9, 2012.

JIM KAISER: What percentage escrow should be used for disbursement purposes?

RITA BARRETT: 100%

JIM KAISER: And the royalty owners who should receive that disbursement at that percent are listed on our exhibit AA?

RITA BARRETT: Correct.

JIM KAISER: Have you provided to the Board with Exhibits E and EE to reflect the facts of this disbursement?

RITA BARRETT: We have

JIM KAISER: Would you ask that the order provide language that these royalty owner be paid their royalty directly going forward?

RITA BARRETT: Yes sir.

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

BRADLEY LAMBERT: Any questions from the Board? (no response) Anything further Mr. Kaiser?

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

BRADLEY LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second

BRADLEY LAMBERT: I have a motion and a second; any further discussion. All in favor signify by saying yes; opposed (no response). Thank you Mr. Kaiser.

JIM KAISER: Thank you.

RITA BARRETT: Thank you.

ITEM 11

BRADLEY LAMBERT: Calling docket item number 11, a petition from EQT Production Company for disbursement of funds from escrow for tracts 1, 3 and 4 for well number VC-501842, Docket Number VGOB-07-0417-1919-03. All parties wishing to testify please come forward.

JIM KAISER: Ms. Barrett, is this again a disbursement request?

RITA BARRETT: It is.

JIM KAISER: Have all parties been notified as required by Statute?

RITA BARRETT: Yes

JIM KAISER: It is for unit for the well VC-501842?

RITA BARRETT: That is correct.

JIM KAISER: And it is tracts 1, 3 and 4?

RITA BARRETT: That is correct.

JIM KAISER: Is this a partial or full disbursement?

RITA BARRETT: This is a partial.

JIM KAISER: Basis for the relief requested?

RITA BARRETT: We have letters dated 2012 wherein where in Range Resources relinquishes their claim to the coalbed methane royalty.

JIM KAISER: And has EQT reconciled their figures with the bank?

RITA BARRETT: They have as of November 9, 2012.

JIM KAISER: What percentage escrow should be used for disbursement purposes?

RITA BARRETT: 100%

JIM KAISER: And the royalty owners who are listed in our two-page Exhibit AA are the royalty owners who should receive these disbursements?

RITA BARRETT: That is correct.

JIM KAISER: Have you provided the Board with Exhibits E and EE to reflect the facts of this disbursement?

RITA BARRETT: Yes

JIM KAISER: Would you ask that the order provide language that these royalty owner be paid directly going forward?

RITA BARRETT: Yes sir.

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

BRADLEY LAMBERT: Any questions from the Board? (no response) Anything further Mr. Kaiser?

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

BRADLEY LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second

BRADLEY LAMBERT: I have a motion and a second; any further discussion. All in favor signify by saying yes; opposed (no response). Thank you, Mr. Kaiser, that is approved.

RITA BARRETT: Thank you.

ITEM 12

BRADLEY LAMBERT: Calling docket item number 12, a petition from EQT Production Company for disbursement of funds from escrow in for

tracts 2 and 3. This is from well number VC-537102, Docket Number VGOB-07-0515-1933-03. All parties wishing to testify; please come forward.

JIM KAISER: Jim Kaiser and Rita Barrett. Mr. Chairman, we have been on the question I routinely ask what percentage escrow should be used for disbursement purposes, she has been saying 100% because a lot of times there is a 100% relinquishment or there may be a 75 or a 50/50 whatever the split agreement may be. I think in the past what information we have been providing to you as an answer to that question is the percentages in the next to the last column on the right hand side of the spreadsheet. So we would like to amend, I don't know if we have to go back and re-call them all, but we would like to amend our testimony in the previous seven or eight we have had to state that what you all need to be focusing on for percentage disbursement purposes is that figure in the next to last column on the right. I know you already know that.

BILL HARRIS: I understood a 100 percent of what...

RITA BARRETT: Right, but we usually testify as to the next to the last column.

JIM KAISER: Are we okay?

BRADLEY LAMBERT: That amended testimony will be accepted.

RITA BARRETT: Thank you

JIM KAISER: Again this is a disbursement request?

RITA BARRETT: It is.

JIM KAISER: Have all parties been notified?

RITA BARRETT: Yes sir.

JIM KAISER: It is for unit for well VC-537102?

RITA BARRETT: That is correct.

JIM KAISER: Tracts 2 and 3?

RITA BARRETT: That is correct.

JIM KAISER: Partial or full disbursement?

RITA BARRETT: This is a partial.

JIM KAISER: Basis for the relief requested?

RITA BARRETT: We have letters dated in 2012 from Range Resources wherein they have relinquished their claim to the coalbed methane royalty.

JIM KAISER: And have you reconciled your figures with the Bank?

RITA BARRETT: Yes, as of November 9, 2012.

JIM KAISER: And for disbursement purposes the Board should use the percentages that are in the next to last column on the right of exhibit AA?

RITA BARRETT: That is correct.

JIM KAISER: And the royalty owners who should receive those disbursements are listed on that exhibit AA?

RITA BARRETT: Yes

JIM KAISER: And have you provided to the Board with Exhibits E and EE to reflect the facts of this particular disbursement?

RITA BARRETT: Yes sir

JIM KAISER: Would you ask that any order provide language that these royalty owners be paid directly going forward?

RITA BARRETT: Yes

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

**BRADLEY LAMBERT: Any questions from the Board? (no response)
Anything further Mr. Kaiser?**

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

BRADLEY LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second

BRADLEY LAMBERT: I have a motion and a second; any further discussion. All in favor signify by saying yes; opposed (no response). Thank you, Mr. Kaiser, that is approved.

RITA BARRETT: Thank you.

ITEM 13

BRADLEY LAMBERT: We are calling docket item number 13, a petition from EQT Production Company for disbursement of funds from escrow for Tracts 7 and 8. This is well VC-536589, Docket Number VGOB-07-0515-1935-03. All parties wishing to testify please come forward.

JIM KAISER: Ms. Barrett, is this again a disbursement request?

RITA BARRETT: It is.

JIM KAISER: All parties been notified as required by Statute?

RITA BARRETT: Yes

JIM KAISER: It is for unit with well VC-536589?

RITA BARRETT: That is correct.

JIM KAISER: Tracts 7 and 8?

RITA BARRETT: Yes.

JIM KAISER: Portions?

RITA BARRETT: Yes, portions of tracts 7 and 8.

JIM KAISER: So is it a partial disbursement?

RITA BARRETT: It is

JIM KAISER: Basis for the relief requested?

RITA BARRETT: Again, we have letters dated in 2012 wherein Range Resources relinquishes their claim to the coalbed methane royalty.

JIM KAISER: And has EQT reconciled their figures with the bank?

RITA BARRETT: We have as of November 9, 2012.

JIM KAISER: And as for the percentage escrowed the Board would look to for disbursement purposes that would be those percentages as stated in the next to last column on the right of Schedule AA?

RITA BARRETT: Yes sir

JIM KAISER: And that is at what percentage? 100%?

RITA BARRETT: 100%, yes sir

JIM KAISER: Have you provided to the Board with Exhibits E and EE to reflect the facts of this disbursement?

RITA BARRETT: Yes

JIM KAISER: Would you ask that the order include language that these royalty owners be paid directly going forward?

RITA BARRETT: Yes

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

**BRADLEY LAMBERT: Any questions from the Board? (no response)
Anything further Mr. Kaiser?**

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

BRADLEY LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second

BRADLEY LAMBERT: I have a motion and a second; any further discussion. All in favor signify by saying yes; opposed (no response). Thank you, Mr. Kaiser, that is approved.

JIM KAISER: Thank you.

RITA BARRETT: Thank you.

ITEM 14

BRADLEY LAMBERT: We are calling docket item number 14, a petition from EQT Production Company, LLC for disbursement of funds from escrow on behalf of Hurley Ratliff (Life Estate) and Range Resources-Pine Mountain, Inc., for tract 1. This is Unit VC-536630. Docket Number VGOB-09-1117-2633-02. All parties wishing to testify please come forward.

JIM KAISER: Ms. Chairman, I am not 100% sure what we need to do on this one. I might get help from the Department; but I think what happened was in our, we have done this one before, but what happened, we said we were disbursing tract 1 when it should have been tract 2. I think we provided DGO with the corrected Exhibit AA and maybe we just need to correct the testimony on the record that we are actually disbursing from Tract 2 and not Tract 1. Does that sound right?

RICK COOPER: Correct

JIM KAISER: So I am just going to ask her one question. Ms. Barrett should this disbursement actually pertain to Tract 2 of the unit rather than Tract 1?

RITA BARRETT: Yes

SHARON PIGEON: Are we doing it now or are we referring to the previous disbursement?

JIM KAISER: We can do it either way. Do you want us to go through it again?

SHARON PIGEON: It just says tract 1 on our docket; that is the reason I am getting confused.

MARY QUILLEN: It says tract 2 on mine.

BRADLEY LAMBERT: It has tract 2 in the factual basis for request of relief in our package.

JIM KAISER: Do you want us to go through the whole thing? It will just take a couple of minutes.

BRADLEY LAMBERT: Yes, let's just do that.

JIM KAISER: Ms. Barrett, is this a disbursement request?

RITA BARRETT: It is

JIM KAISER: Have all parties been notified?

RITA BARRETT: Yes sir

JIM KAISER: And it is the unit for well VC-536630?

RITA BARRETT: That is correct.

JIM KAISER: What tract are we disbursing for?

RITA BARRETT: We are disbursing from tract number 2.

JIM KAISER: Is this a partial or full disbursement?

RITA BARRETT: This is a partial.

JIM KAISER: Basis for the relief requested?

RITA BARRETT: There is a letter from Range Resources wherein they relinquished their claim to the coalbed methane royalty that is dated November 18, 2011.

JIM KAISER: And have you reconciled your figures with the bank?

RITA BARRETT: Yes, as of February 10, 2012.

JIM KAISER: And the percentages the Board should look to for disbursement purposes would be those found in the next to last column on the right of the Exhibit AA.

RITA BARRETT: That is correct.

JIM KAISER: Who should receive this disbursement?

RITA BARRETT: Hurley Ratliff.

JIM KAISER: Have you provided to the Board with Exhibits E and EE to reflect the facts of this disbursement?

RITA BARRETT: Yes

JIM KAISER: Would you ask that the order contain language that the royalty owner be paid directly going forward?

RITA BARRETT: Yes

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

BRADLEY LAMBERT: Any questions from the Board? (no response) Anything further Mr. Kaiser?

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

BRADLEY LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second

BRADLEY LAMBERT: I have a motion and a second; any further discussion. All in favor signify by saying yes; opposed (no response). Thank you, Mr. Kaiser that is approved.

JIM KAISER: Thank you.

RITA BARRETT: Thank you.

ITEM 15

BRADLEY LAMBERT: Calling docket item number 15, a petition from EQT Production Company for disbursement of funds from escrow from well VC-537113, Docket Number VGOB-07-0515-1934-02. All parties wishing to testify please come forward.

JIM KAISER: Ms. Barrett, again is this a disbursement request?

RITA BARRETT: It is.

JIM KAISER: Have all parties been properly notified?

RITA BARRETT: Yes

JIM KAISER: It is for unit VC-537113?

RITA BARRETT: That is correct.

JIM KAISER: It is for tracts 3 and 4?

RITA BARRETT: Yes sir.

JIM KAISER: Is this a partial disbursement?

RITA BARRETT: Yes sir.

JIM KAISER: And the basis for the relief requested?

RITA BARRETT: We have various letters wherein Range Resources relinquishes their claim to the coalbed methane royalty.

JIM KAISER: And has EQT reconciled their figures with the bank?

RITA BARRETT: Yes as of November 9, 2012.

JIM KAISER: Should the Board look to the percentage of escrowed funds contained in the next to last column on the right of our exhibit AA for disbursement purposes?

RITA BARRETT: Yes

JIM KAISER: And should all those royalty owners listed on that two page exhibit AA, should they be the ones who receive these disbursements?

RITA BARRETT: Yes sir

JIM KAISER: Have you provided to the Board with Exhibits E and EE to reflect the facts of this disbursement?

RITA BARRETT: Yes sir

JIM KAISER: And would you ask the Board to include language in the order that these royalty owners be paid their money directly going forward?

RITA BARRETT: Yes

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

BRADLEY LAMBERT: Any questions from the Board? (no response) Anything further Mr. Kaiser?

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

BRADLEY LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second

BRADLEY LAMBERT: I have a motion and a second; any further discussion. All in favor signify by saying yes; opposed (no response). Thank you Mr. Kaiser.

JIM KAISER: Thank you.

ITEM 16

BRADLEY LAMBERT: We are calling docket item number 16, a petition from Range Resources-Pine Mountain, Inc., for a well location exception for proposed well 900127. This is docket number VGOB-13-0115-4000. All parties wishing to testify please come forward.

Gus Janson and Phil Horn were duly sworn.

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

BRADLEY LAMBERT: Good morning gentlemen. You may proceed Mr. Scott.

TIM SCOTT: Thank you. Mr. Horn, would you please state your name and where you are employed and your job description?

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

TIM SCOTT: You are familiar with this application. Is that right?

PHIL HORN: That is correct.

TIM SCOTT: We filed the application for the January hearing and then we filed a revised application. Is that right?

PHIL HORN: That is correct.

TIM SCOTT: Would you tell the Board why we did that?

PHIL HORN: We initially left off the horizontal wells to the north from during application and we revised it to include those.

TIM SCOTT: Then we re-noticed everybody. Is that correct?

PHIL HORN: That is correct.

TIM SCOTT: You familiar with the ownership of the minerals under this unit?

PHIL HORN: Yes

TIM SCOTT: And those owners are listed on exhibit B to the notice. Is that right?

PHIL HORN: That is correct.

TIM SCOTT: Who operates the wells on which the well location exception is sought today?

PHIL HORN: Range Resources-Pine Mountain, Inc.

TIM SCOTT: In this one Range is an owner and operator. Is that correct?

PHIL HORN: That is correct.

TIM SCOTT: Now how was notice of this hearing provided to the parties listed on exhibit B?

PHIL HORN: By certified mail

TIM SCOTT: And we provided proof-of-mailing to Mr. Cooper. Is that correct?

PHIL HORN: We have; correct.

TIM SCOTT: That is all I have for Mr. Horn.

BRADLEY LAMBERT: Any questions from the Board? You may continue Mr. Scott.

TIM SCOTT: Mr. Janson, would you please tell the Board your name, by whom you are employed and your job description?

GUS JANSON: My name is Gus Janson and I am employed by Range Resources-Pine Mountain, Inc., as a Manager of Geology.

TIM SCOTT: And you participated in the preparation of this application. Is that right?

GUS JANSON: Correct

TIM SCOTT: Would you please tell the Board why we are seeking a well location exception on this particular well?

GUS JANSON: I have handed out an exhibit K for the petition. You will see the location of proposed well 900127. It is the well outlined in red with the green (inaudible) area. It looks a little different from what we have seen in the past. We have started to propose wells here and amongst our horizontal drilling program that we have seen in the past. You will see a pad with two existing horizontal wells and two proposed wells just north of this well in amongst other vertical wells in the area. These original wells were the two drilled wells were permitted back in 2011. This original well, the 900047 was permitted prior to that it was actually permitted in 2011. We came in subsequently to that and evaluated this area for horizontal drilling and found this to be a good area. So we have come in proposed those horizontal wells. By doing that, we have sort of moved our spacing around a little bit for this proposed well 900127. To make sure addressing all the wells under the statewide spacing rule, we have included all those in this application. So it gets a little bit confusing when we get this many wells going in a specific area. But we have conformed to all the rules we laid out in the Horizontal Field Rules that the Board has previously approved. So in order to drill this well, there is no statewide spacing available. It is amongst all these wells now. So in order to maximize the resources we have proposed this 900127 well to recover the remaining reserves in a vertical well.

TIM SCOTT: What is the acreage loss if it is not approved?

GUS JANSON: 59.56 acres

TIM SCOTT: What is the proposed depth of this well?

GUS JANSON: 4887 feet

TIM SCOTT: Potential loss of reserves. What would that be?

GUS JANSON: 550 million cubic feet of gas.

TIM SCOTT: And if the application is approved as we submitted it, it would prevent waste, promote conservation, protect correlative rights. Is that correct?

GUS JANSON: That is correct.

TIM SCOTT: That is all I have for Mr. Janson.

BRADLEY LAMBERT: Any questions from the Board?

BRUCE PRATHER: I have one question. Gus, is the new well you are drilling, is that a conventional or is it a horizontal?

GUS JANSON: The well we are doing today is a conventional well. So it would just be a vertical well.

BRUCE PRATHER: Are you going to complete out of the same zone that your horizontal wells are in?

GUS JANSON: At this time, we are proposing that yes. But we are outside the six hundred foot limit that we have set up in the Horizontal Field Rules.

BRADLEY LAMBERT: Any other questions? Anything further Mr. Scott?

TIM SCOTT: That is all I have Mr. Chairman.

BRADLEY LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second

BRADLEY LAMBERT: I have a motion and a second; any further discussion? All in favor signify by saying yes; opposed (none). Thank you, Mr. Scott; it is approved.

TIM SCOTT: Thank you

ITEM 17

BRADLEY LAMBERT: We are calling docket item number 17, a petition from Range Resources-Pine Mountain, Inc., for a well location exception for proposed well V-530344, docket number VGOB-13-0115-4002. All parties wishing to testify please come forward.

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

BRADLEY LAMBERT: You may proceed Mr. Scott.

TIM SCOTT: Thank you, Mr. Chairman. Mr. Horn again your name and by whom you are employed and your job description.

PHIL HORN: My name is Phil Horn and I am Land Manager for Range Resources-Pine Mountain, Inc.

TIM SCOTT: You are familiar with this application. Is that right?

PHIL HORN: Yes, I am.

TIM SCOTT: You are also familiar with the ownership of the minerals underlying this unit?

PHIL HORN: Yes. Range owns 100% of the minerals in this unit.

TIM SCOTT: Who operates the wells on which the well location exception is sought today?

PHIL HORN: EQT Production Company and Range also owns an interest in all the wells also.

TIM SCOTT: So you say Range is an owner and participating in the operations. Is that right?

PHIL HORN: That is correct.

TIM SCOTT: How were the parties listed on Exhibit B notified of the hearing today?

PHIL HORN: By certified mail

TIM SCOTT: And we provided proof-of-mailing to Mr. Cooper. Is that right?

PHIL HORN: Yes, you have.

TIM SCOTT: That is all I have for Mr. Horn.

BRADLEY LAMBERT: Any questions from the Board? You may continue Mr. Scott.

TIM SCOTT: Mr. Janson, again your name and by whom you are employed and your job description?

GUS JANSON: My name is Gus Janson and I am employed by Range Resources-Pine Mountain, Inc., as a Manager of Geology.

TIM SCOTT: And you participated in the preparation of this application. Is that right?

GUS JANSON: That is correct.

TIM SCOTT: Can you tell the Board why we are seeking a well location exception on this particular well?

GUS JANSON: Yes, again referring to exhibit K, you will see the location of proposed well 530344 it is again located in and amongst a series of off-setting vertical wells and two drilled horizontal wells. In this case again, there is no location that meets statewide spacing

requirements. In this case, we would be proposing this well to maximize the recovery of the remaining resources. In the event the well is not drilled, we would be stranding 82.39 acres of reserves.

TIM SCOTT: What is the proposed depth of this well?

GUS JANSON: 5,608 feet

TIM SCOTT: Potential loss of reserves?

GUS JANSON: 400 million cubic feet of gas.

TIM SCOTT: So we don't have any correlative rights issues; but if the application is granted, it would prevent waste and promote conservation. Is that right?

GUS JANSON: That is correct.

TIM SCOTT: That is all I have for Mr. Janson.

BRADLEY LAMBERT: Any questions from the Board? Anything further Mr. Scott?

TIM SCOTT: That is all I have Mr. Chairman.

BRUCE PRATHER: I have got one question.

BRADLEY LAMBERT: Mr. Prather

BRUCE PRATHER: Gus, on the sheet you give us, the well is 900127; and on our sheet, you have it as 344.

GUS JANSON: That was the previous one we just did, I may have mixed them in with my other copies.

BRADLEY LAMBERT: You did.

BRUCE PRATHER: Okay.

GUS JANSON: I didn't have enough copies for everybody. I wasn't sure if everybody would be able to access on your tablets today.

SHARON PIGEON: It is not very clear on line either.

BRADLEY LAMBERT: We are also going to add that exhibit into our electronic file.

RICK COOPER: We do have it uploaded.

GUS JANSON: Yes, it was uploaded a couple weeks ago.

BRADLEY LAMBERT: Gus, just any exhibit you give them or upload the day before, we still don't have it.

GUS JANSON: I wasn't sure what the timing was. It has been in for a couple of weeks.

BRADLEY LAMBERT: That is one of our issues we are trying to work out electronically; but we will get there, thank you. Anything further from the Board? Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second

BRADLEY LAMBERT: I have a motion and a second; any further discussion? All in favor signify by saying yes; opposed (none). Thank you, Mr. Scott; it is approved.

ITEM 18

BRADLEY LAMBERT: Calling docket item number 18 and it is a petition from Range Resources-Pine Mountain, Inc., for pooling of conventional gas well 900125, docket number VGOB-13-0115-4001. All parties wishing to testify please come forward.

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

BRADLEY LAMBERT: You may proceed Mr. Scott.

TIM SCOTT: Thank you. Mr. Horn, again your name and by whom you are employed and your job description.

PHIL HORN: My name is Phil Horn and I am employed as Land Manager for Range Resources-Pine Mountain, Inc.

TIM SCOTT: Are familiar with this application?

PHIL HORN: Yes I am.

TIM SCOTT: How many acres does this unit contain?

PHIL HORN: 112.69

TIM SCOTT: So it is subject to statewide spacing. Is that correct?

PHIL HORN: Correct

TIM SCOTT: Range has drilling rights in this unit. Is that correct?

PHIL HORN: That is correct.

TIM SCOTT: The only respondent we have on this is an unknown. Is that correct?

PHIL HORN: That is correct.

TIM SCOTT: So we are not dismissing anybody today?

PHIL HORN: That is correct.

TIM SCOTT: And you have attempted to locate this individual. Is that right?

PHIL HORN: Yes. During the past, I have, yes.

TIM SCOTT: And you have provided proof of your due diligence efforts to Mr. Cooper. Is that right?

PHIL HORN: Yes, we have.

TIM SCOTT: What percentage of the unit does Range have under lease?

PHIL HORN: 97.63 percent.

TIM SCOTT: As far as the notice of this hearing, how was that affected?

PHIL HORN: By certified mail and publication in the Dickenson Star on January 2, 2013.

TIM SCOTT: As indicated, we have an unknown in this unit. Is that right?

PHIL HORN: That is correct.

TIM SCOTT: In your opinion, based on your efforts, was due diligence exercised in trying to locate these parties?

PHIL HORN: Yes, in my opinion.

TIM SCOTT: So we provided proof of publication and mail certification to the Board. Is that correct?

PHIL HORN: That is correct.

TIM SCOTT: Range is authorized to conduct business in the Commonwealth. Is that correct?

PHIL HORN: That is correct.

TIM SCOTT: And there is a blanket bond on file?

PHIL HORN: That is correct.

TIM SCOTT: If you were to reach an agreement with those parties listed on exhibit B3, what would the terms be?

PHIL HORN: \$30 per acre for a five year paid up lease providing 1/8 royalty.

TIM SCOTT: Do you consider that to be fair and reasonable?

PHIL HORN: Yes I do.

TIM SCOTT: What percentage of the oil and gas estate is Range seeking to pool today?

PHIL HORN: 2.37%

TIM SCOTT: We have already indicated there is an escrow requirement. Is that correct?

PHIL HORN: That is correct.

TIM SCOTT: What tract or tracts are subject to escrow?

PHIL HORN: Tract 2.

TIM SCOTT: What is the percentage of that again?

PHIL HORN: 2.37%

TIM SCOTT: You are asking the Board to pool the unleased parties listed on exhibit B. Is that right?

PHIL HORN: That is correct.

TIM SCOTT: You are also requesting that Range be named operator for this unit. Is that right?

PHIL HORN: That is right.

TIM SCOTT: Now if we are able to reach an agreement with the parties listed on exhibit B3 and they were to make an election pursuant to Board order, what address would be used?

PHIL HORN: Range Resources-Pine Mountain, Inc., Post Office Box 2136, Abingdon, Virginia 24212.

TIM SCOTT: And that is the address for all communications. Is that right?

PHIL HORN: That is correct.

TIM SCOTT: That is all I have for Mr. Horn.

BRADLEY LAMBERT: Any questions from the Board? You may continue Mr. Scott.

TIM SCOTT: Thank you Mr. Chairman. Mr. Janson, one more time your name and by whom you are employed and your job description?

GUS JANSON: My name is Gus Janson and I am employed by Range Resources-Pine Mountain, Inc., as a Manager of Geology.

TIM SCOTT: And you are familiar with this application. Is that right?

GUS JANSON: I am

TIM SCOTT: What is the proposed depth of this well?

GUS JANSON: 5,425 feet.

TIM SCOTT: And the estimated reserves?

GUS JANSON: 550 million cubic feet of gas.

TIM SCOTT: And you also participated in the preparation of the AFE. Is that right?

GUS JANSON: That is correct.

TIM SCOTT: So you are familiar with the costs?

GUS JANSON: I am

TIM SCOTT: What is the estimated dry hole cost of this well?

GUS JANSON: \$258,540.00

TIM SCOTT: And the completed well costs?

GUS JANSON: \$554,888.00

TIM SCOTT: Does the AFE include a charge for supervision?

GUS JANSON: Yes, it does.

TIM SCOTT: Do you consider that charge to be reasonable?

GUS JANSON: I do.

TIM SCOTT: In your opinion, if the application is granted, would it be in the best interest of conservation, prevention of waste and protect correlative rights?

GUS JANSON: Yes, it would.

TIM SCOTT: That is all I have for Mr. Janson.

BRADLEY LAMBERT: Any questions from the Board? Do you have anything further Mr. Scott?

TIM SCOTT: That is all I have.

BRADLEY LAMBERT: Do I have a motion?

MARY QUILLEN: Motion to approve.

BILL HARRIS: Second

BRADLEY LAMBERT: I have a motion and I have a second; any further discussion? All in favor signify by saying yes; opposed (none).

DONNIE RATLIFF: I will abstain.

BRADLEY LAMBERT: One abstention, Mr. Ratliff. Approved.

ITEM 19

BRADLEY LAMBERT: At this time, we are calling docket item number 19 a petition from Royce Rasnake appealing the decision of the Director of the Division of Gas and Oil relative to Informal Fact Finding

Hearing 221 regarding application 17362 for well V-530066 from Range Resources-Pine Mountain, Inc. This is docket number VGOB 13-0219-4003. All parties wishing to testify please come forward.

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

RICK COOPER: Mr. Chairman, Shea Cook's assistant just walked out the door just a couple of minutes ago. She had delivered a letter and I thought I would read that and the Board can make a decision. It is on behalf of Royce Rasnake. "As you know, I represent Royce Rasnake relative to the above matter Informal Fact Finding Hearing 221. I have to make a brief appearance in the Buchanan County Juvenile and Domestic Relations Court at 9 a.m. I should be there no later than 11 a.m. It is my understanding that Mr. Rasnake's matter is currently the last item on the agenda. As a result, I can be there well before the matter is called. Shea Cook

BRADLEY LAMBERT: Mr. Rasnake, would you state your name for the record please?

JERRY RASNAKE: Jerry Rasnake

Jerry Rasnake was duly sworn

TIM SCOTT: Mr. Chairman, I object to Mr. Rasnake testifying. He does not represent Mr. Royce Rasnake. He is not an attorney. He has an attorney.

BRADLEY LAMBERT: I am going to ask him right now. Mr. Rasnake, since your attorney is not here if you would like to have this continued?

JERRY RASNAKE: Well I would rather have my attorney but I do have permission from my brother to represent him.

SHARON PIGEON: But you can't represent him, because you are not an attorney; and this is a formal proceeding.

JERRY RASNAKE: Oh no, I know that.

BRADLEY LAMBERT: *You have to have an attorney during these proceedings.*

JERRY RASNAKE: *Right, right*

BRADLEY LAMBERT: *Since we have that e-mail that he can't be here till around eleven or after, we can continue this if you would like.*

JERRY RASNAKE: *No, I am going to wait on the attorney.*

BRADLEY LAMBERT: *I won't hold these hearings up to wait on him.*

JERRY RASNAKE: *Well we will continue without him then.*

SHARON PIGEON: *We can't continue without him.*

JERRY RASNAKE: *What about next month?*

BRADLEY LAMBERT: *We can continue this until next month if you would so desire?*

JERRY RASNAKE: *Okay*

SHARON PIGEON: *To March?*

BRADLEY LAMBERT: *That docket item will be continued until March. Thank you, gentlemen. The Board will receive Division activities from the staff Mr. Cooper.*

ITEM 20

RICK COOPER: *I have two items here I wanted to bring in front of the Board. We have two accounts, this one right here. They are both EQT. This one right here is VGOB 09-1117-2637. We want to actually close this account. It has expired. There is no money in it so we just want to close the account. This is part of the conversation we had earlier. We are trying to finish up with these old accounts and let the Board know that we have not had any activity in over two years so this one would be expired. The second one here VGOB-11-0125-2881; it has \$5.50 in it. We would request that the bank write a check and send this \$5.50 back to EQT and close this account also.*

BRADLEY LAMBERT: *The first one. Is that a pooling order or permit?*

RICK COOPER: *Both. The second one is 2881. It has election rights. It is pooling and election rights and supplements but has never been drilled and no activity so the two year time period has expired on this one. Probably, a bonus payment of \$5.50. We just close this account and send \$5.50 back to EQT.*

MARY QUILLEN: *Do we need to have a motion on that?*

BRADLEY LAMBERT: *We do.*

MARY QUILLEN: *Motion to close the accounts and send the balance of \$5.50 back to EQT.*

BRADLEY LAMBERT: *Was that both accounts, Ms. Quillen?*

MARY QUILLEN: *Both accounts*

BRADLEY LAMBERT: *I have a motion to close those accounts. Do I have a second?*

BILL HARRIS: *I will second it.*

BRADLEY LAMBERT: *I have a motion and a second. All in favor say yes; opposed (none).*

RICK COOPER: *The only other thing I wanted to reiterate. Debbie Davis went over that for a matter of record to let everyone know that it has been a record year on disbursements and I want to thank the Board for that and all the operators and all the people that helped put that together; but I especially want to thank Diane Davis and Jim Lovett for that. We disbursed \$2,599,220.03, which is about \$800,000 more than the record year prior to that. So there has been a lot of work and effort going on that, and I want to thank everybody that is involved including the Board.*

BRADLEY LAMBERT: *Thank you, Mr. Cooper.*

ITEM 21

BRADLEY LAMBERT: Has everyone read the minutes for the December minutes? Are there any changes or recommendations? Do I have a motion to approve?

MARY QUILLEN: Motion to approve.

BRUCE PRATHER: I will second that.

BRADLEY LAMBERT: I have a motion and a second. All in favor signify by saying yes; opposed (none). Those are approved.

The hearing adjourned at 10:37 a.m.

BRADLEY LAMBERT: At this time, we are going to take a ten or fifteen minute break. We have our i-pads ready for Board members and we are going to have a little training session on those and we will wrap up for the day.

**Commonwealth of Virginia
County of Russell**

CERTIFICATE OF NOTARY PUBLIC

**I, Diane J. Davis, Notary for the Commonwealth of Virginia, do hereby
certify that the witnesses were duly sworn in by Sharon Hagy, Notary for
the Commonwealth, that the testimony of the witnesses transcribed by me
to the best of my ability.**

X

X

Diane J. Davis
Notary Public

Diane J. Davis, Notary

Notary No. 174394

Expiration Date: 09/30/13