

VIRGINIA DEPARTMENT OF MINES, MINERALS AND ENERGY

VIRGINIA GAS AND OIL BOARD HEARING

Tuesday, September 16, 2014

Lebanon, Virginia

BOARD MEMBERS:

Bill Harris—Public Member

Bruce Prather—Gas & Oil Industry Representative

Donnie Rife—Public Member

Mary Quillen—Public Member

Rita Surratt—Public Member

APPEARANCES:

Bradley Lambert—Chairman of the Virginia Gas & Oil Board

Rick Cooper—Director of the Division of Gas & Oil and
Principal Executive to the Staff of the Board

Paul Kugelman —Assistant Attorney General

Sarah Gilmer—Staff Member of the Division of Gas & Oil

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1 **Bradley Lambert:** Good morning, ladies and gentlemen. It's time to begin our hearings. If you
2 will take your seats, we'll proceed this morning. I would like to remind everyone that if you
3 have a communication device with you, cell phones, pagers or other devices, please turn those
4 off or put them on vibrate. These proceedings are being recorded and we need to be able to hear
5 everything that is taking place. We'll begin this morning by asking the Board members to please
6 introduce themselves, beginning with Ms. Surratt.

7 **Rita Surratt:** Rita Surratt, public member from Dickenson County.

8 **Paul Kugelman:** I am not a Board member. My name is Paul Kugelman. I am Counsel to the
9 Board and DMME from the Attorney General's Office.

10 **Bradley Lambert:** I'm Butch Lambert with the Department of Mines, Minerals and Energy.

11 **Bill Harris:** I'm Bill Harris, a public member from Wise County.

12 **Donnie Rife:** I'm Donnie Rife, Chairman of the Board of Supervisors in Dickenson County.

13 **Bruce Prather:** I'm Bruce Prather. I represent the oil and gas industry on the Board.

14 **Mary Quillen:** Mary Quillen, public member.

15 **Item Number 1**

16 **Bradley Lambert:** Thank you. This morning we'll begin with receiving public comment. First
17 one I have on our sign-up sheet this morning is Juanita Sneeuwjagt.

18 **Juanita Sneeuwjagt:** Good morning.

19 **Board:** Good morning.

20 **Juanita Sneeuwjagt:** Welcome to our new...Kugelman?

21 **Paul Kugelman:** Kugelman, yes.

22 **Juanita Sneeuwjagt:** I'll get it. Now, when you pronounce my name correctly, we'll be even.
23 Nice seeing you. Mr. Chairman, I should be finished in two minutes and, if it takes me three,
24 then I hope you will see fit to indulge me a little bit. This is pretty brief. I have copies if you
25 want it. I know that an RFP was put out within the last while and I don't know if there had been
26 any follow up for the RFP for an auditor. I didn't know if any follow up had taken place because
27 I know we haven't met for three months. So, I'll read this to you. Like I said, if anybody in the
28 room would like a copy, feel free. My name is Juanita Sneeuwjagt and I am President of the
29 Committee for Constitutional and Environmental Justice and I advocate for about seven counties
30 in southwest Virginia. I reside in Dickenson County. I'll read this to you. I may stop at some
31 time and clarify or ask you to clarify. "The Virginia Gas & Oil Board issued a proposal for audit

1 services from January 1, 2000 to December 31, 2009. That proposal response was OMB A-133
2 by Robinson, Farmer & Cox." They responded "with an estimated cost of \$13,570.00. The
3 Board did not follow up on any responses." I really do not know why they didn't follow up, but
4 they did not. "The second," and I'm thinking here, according to some information I read in the
5 past two days that about ten months went by in the meantime. "The second RFP bid by the
6 Virginia Gas & Oil Board was awarded to Robinson, Farmer & Cox Associates of
7 Christiansburg, Virginia. The contract was for \$26,000 and was an open ended contract" and I
8 want you to keep that term, that word "open ended" in mind because I think it plays a great role
9 in the auditing process. "After an elapse of time and much research, the cost of the audit to the
10 folks who have money in the escrow account ran in excess of \$70,000 during the time period of
11 2012." I don't know what the ending amount was. Mr. Chairman, would you happen to know
12 what the ending amount was or would you have to check on that?

13 **Bradley Lambert:** For the Robinson, Farmer & Cox proposal?

14 **Juanita Sneeuwjagt:** The last one they did...

15 **Bradley Lambert:** I think you are correct with the approximate \$70,000.

16 **Juanita Sneeuwjagt:** I had heard 77, but since I'm not sure, I put in excess of \$70,000. "Now
17 the Virginia Gas and Oil Board has announced that they will place another RFP for bid for
18 another audit. We have grave concerns about losing more of our escrowed dollars through an
19 open ended contract," and that's what that was...."and wish to have the Board assure us with the
20 following questions." Assure us with answers to the following questions: How many auditing
21 firms responded to the requests? Or, if you have not put out that RFP, maybe you have some
22 indication of the response, maybe you don't at this point. So, I won't pin you down with that.
23 What is the identity of each firm? What will be the cost estimation of each firm? What is the
24 expected length of the audit? Three years, four years, five years, etc. Does the auditing firm
25 have a petroleum auditor on staff, or a compliance auditor only? Why was the contract with
26 Robinson, Farmer & Cox, again I use that word "open ended" because that seemed not to be in
27 the best interest of the fund and of the people's money? As I said, I have these around, if you
28 want to follow along. "What is not proven is: Did the gas company put into escrow the actual
29 amount of gas produced? Only a forensic audit can confirm or deny this accounting. How did
30 the Board protect the correlative rights of the people who have money in the escrow account
31 through the previous audit?" And that would have been the \$70,000 plus audit. And, on page
32 two, I'm continuing here. I've just broken this down into really simple language. Some people,
33 and I didn't understand what a compliance audit is, so I've broken it down so a first grader can
34 understand. A compliance audit would have to do with the gas companies were requested to
35 open their records and to supply to the auditor their internal book keeping records and other
36 pertinent information. That would be a compliance audit. A forensic audit is what was the
37 amount of gas production? Were people paid the correct amount, according to that gas
38 production? Was the correct amount deposited in the correct sub escrow account? And, Mr.

1 Chairman...and I hope I'm right on this...."you have an attorney on staff" probably hopefully
2 "capable of writing a contract that is not open ended," that would specify the time limit, that
3 would specify the amount in this letter. "The Board does not accept responsibility of properly
4 looking after the escrow account..." if they are not, let me rephrase that. "If the Board does not
5 accept responsibility of properly looking after the escrow account, they are then abusing the
6 power invested in them by the Government of Virginia. To the Board: Probably all the
7 confusion and contradiction regarding the escrow accounts would never have happened," and I
8 don't mean to insult you but I just think it's true..."would never have happened if you were
9 dealing with your personal finances." So, I do know that you have a great interest in what's
10 happening with the people, with their money, the interest that has accrued, which is probably no
11 longer there because the \$70,000. I think some of that did dip into the principal of the escrow
12 account, so I'm just asking you please to take a good, long, hard look at this before putting out
13 this RFP bid to another auditing firm because there are a lot of issues at hand here. So, that's my
14 presentation and I'd ask you very sincerely to take all of that into account and, on behalf of
15 everybody, it's greatly, greatly appreciated. I thank you for your time.

16 **Bradley Lambert:** Thank you. Next we have Martha Guilliams.

17 **Martha Guilliams:** I'm Martha Guilliams from Salem, Virginia. I'm an heir to the Linkous
18 Horne estate, which has been a real controversial issue for years now. My main concern on this,
19 since we are at a point we are placing new bids for someone to take care of these escrow
20 accounts. I have a real concern that I've had for a long time, which I have brought before this
21 Board many times before. We do have public members on the Board who are supposed to be
22 watching for the people. You are supposed to be here to protect them, the people's rights. I
23 think it is appalling. It is a shame that the people have no say in these escrow accounts
24 whatsoever. We are not allowed to decide where they go, who takes care of them, who the
25 watchful eye or any of that. And this is being taken from our portions of the money to pay this
26 expense. We're paying for something here and, if you're looking at the records, we're paying a
27 very high price for something we have no control over. We have no rights whatsoever in this.
28 And I am asking you at this time to either force the gas companies, the energy companies, to
29 share in this expense or to pay it themselves. They chose this. They did it this way. You guys
30 gave them permission to do it. This is something that you should really be looking at to protect
31 the public if you have our interest at all in this Board. I am tired of this. I go through this every
32 time I check the records, every time we look in the computer. Whoever is here to make the
33 report today, I do not want to be responsible for any more expenses for something that belongs to
34 me that I have no say over in any way. I want this to really be looked at. At least call us in, let
35 us help make in the decisions of where you put it and whatever happens or make sure we are no
36 longer responsible for any fees. Thank you very much, Mr. Chairman. I appreciate you giving
37 me the time. That's what I have to say, but I won't let this go. I will go as far as I have to, to get
38 some action.

1 **Bradley Lambert:** It's not on our Docket this morning, but we have a Mr. Jack Phelps from
2 First Bank & Trust, and he would like to address the Board. Good morning, Mr. Phelps.

3 **Jack Phelps:** Good morning, sir.

4 **Bradley Lambert:** Please state your name for the record.

5 **Jack Phelps:** I'm Jack C. Phelps, Jr. I'm Vice President Trust Officer, First Bank & Trust
6 Company.

7 **Bradley Lambert:** I understand you have some information from the First Bank & Trust to
8 share with us.

9 **Jack Phelps:** Yes, I do on behalf of Mr. George Taylor, our Senior Vice President Trust
10 Officer. We will not be bidding again for the renewal of the contract which I believe is up at the
11 end of this year.

12 **Bradley Lambert:** Just so that the Board members know that this contract with First Bank &
13 Trust ends December of this year. That's our five year term for that contract. That contract will
14 be up and as we understand, that you will not be interested in extending that contract...but you
15 may potentially bid on it if we go out with another RFP [inaudible]

16 **Jack Phelps:** This is true, sir.

17 **Bradley Lambert:** So, this morning before the Board, we need a motion to go ahead and put
18 out another RFP for an escrow agent. So I'd like a motion from the Board this morning to move
19 forward with that RFP [inaudible]

20 **Donnie Rife:** Motion made, Mr. Chairman.

21 **Mary Quillen:** Second.

22 **Bradley Lambert:** I have a motion and a second. All in favor signify by saying yes.

23 **Board:** Yes.

24 **Bradley Lambert:** Any opposed? [No response] So, Mr. Cooper, if you will work with the
25 Department's General Services in order to prepare an RFP, we will put that out ASAP.

26 **Rick Cooper:** Right. We will try to get that out by the end of the week because it's got to be
27 advertised for thirty days, so we will try to get that out by the end of this week.

28 **Bradley Lambert:** Okay. Thank you, Mr. Phelps.

29 **Jack Phelps:** And thank you, sir.

30 **Bradley Lambert:** We appreciate your time.

1 **Item Number 2**

2 **Bradley Lambert:** Next on the docket is a petition from EQT Production Company, for the
3 disbursement of funds and authorization for direct payment on behalf of known owners in Tracts
4 2, 4, 5, 6, 7, 8 and 9. This is Docket Number VGOB-97-0520-0586-01. All parties wishing to
5 testify, please come forward.

6 **Jim Kaiser:** Good morning, Mr. Chairman and Board members. Jim Kaiser and Rita Barrett on
7 behalf of EQT Production. We actually have four...we've got eleven disbursements on the
8 docket today and we're going to have to continue four of them, including the one you just called.
9 I don't know if you want to run through those first.

10 **Bradley Lambert:** Okay, that Docket Item will be continued until...

11 **Jim Kaiser:** November.

12 **Bradley Lambert:** November? Let's go ahead and run through those, Mr. Kaiser.

13 **Jim Kaiser:** Ms. Barrett, do you want to explain why we need to continue these.

14 **Rita Barrett:** We're working with...

15 **Rick Cooper:** Ms. Barrett.

16 **Rita Barrett:** I'm sorry.

17 **Sarah Gilmer:** Do you swear and affirm that your testimony is the truth, the whole truth and
18 nothing but the truth?

19 **Rita Barrett:** Yes, ma'am. When we filed the petition for this particular well, an attorney who
20 is Sharon Catlan's son, contacted Jim and then I talked to him after that and there are people that
21 were on that Exhibit that are deceased and he was going to provide us with their heirs. He has
22 yet to do that, so we're going to continue it, as well.

23 **Mary Quillen:** Is this for agenda item two?

24 **Jim Kaiser:** Yes, ma'am.

25 **Rita Barrett:** Yes, ma'am.

26 **Mary Quillen:** Okay. What was the...continued to?

27 **Jim Kaiser:** November. Mr. Chairman, if you want to call three, that's the next one we're going
28 to continue.

29 **Bradley Lambert:** Mr. Cooper, on our agenda that you passed out to us, or you sent to us, it has
30 0586 and it also has 0586-01. Which one of those are we...? In our docket, it says "01."

1 **Rick Cooper:** 01.

2 **Bradley Lambert:** It's 01. The agenda you sent to us via email says "01."

3 **Rick Cooper:** Yes, it is.

4 **Bradley Lambert:** It is 01 and not....

5 **Rick Cooper:** Correct.

6 **Bradley Lambert:** So, that one will be continued to November. Ms. Barrett, others? Do you
7 have another one?

8 **Rita Barrett:** Yes, sir. Docket Item three.

9 **Item Number 3**

10 **Bradley Lambert:** This is a petition from EQT Production Company, for the disbursement of
11 funds and authorization for direct payment on behalf of the known heirs for Tracts 3, 4, 9 and 10
12 in Well VC503042. This is Docket Number VGOB-04-1214-1373-05. Again, Mr. Cooper, we
13 have two...

14 **Rick Cooper:** 05.

15 **Bradley Lambert:** Is that 1373 beside it?

16 **Rick Cooper:** It's 1373-05.

17 **Jim Kaiser:** It appears what they've done, Mr. Chairman, is listing the original Docket Number
18 and then the current Docket Number.

19 **Sarah Gilmer:** That's how the company entered them when they...

20 **Rick Cooper:** We really don't enter that data. The company....we're thinking that probably in
21 the future we can delete some of that out to get rid of the confusion.

22 **Jim Kaiser:** What you have is the original Docket Number and then....the original Docket
23 Number would just be the 1373.

24 **Paul Kugelman:** Right. What's that for? I'm trying to figure this out.

25 **Jim Kaiser:** That would have been a forced pooling.

26 **Bradley Lambert:** That's what we're actually hearing, 1373-05.

27 **Jim Kaiser:** Right. Which means this would be the fifth disbursement petition for this unit.

1 **Bradley Lambert:** You want to continue that one until?

2 **Rita Barrett:** November, please.

3 **Bradley Lambert:** And what's the next one?

4 **Jim Kaiser:** The next one we wish to continue is number eight on the Docket.

5 **Bradley Lambert:** Number 8?

6 **Mary Quillen:** Also to November?

7 **Jim Kaiser:** Yes.

8 **Item Number 8**

9 **Bradley Lambert:** Item number eight is a petition from EQT Production Company, for Petition
10 for disbursement of funds and authorization for direct payment on behalf of all known owners as
11 to Tracts 2 and 3 in Well VC-502974. This is Docket Number VGOB-05-0419-1437-01.
12 November?

13 **Jim Kaiser:** Yes, sir. And, Ms. Barrett, what's the reason for that one?

14 **Rita Barrett:** We were just notified last Thursday that one of those tracts have actually been
15 sold and it's not reflected on the Exhibit as such.

16 **Bradley Lambert:** Okay. And, another one?

17 **Jim Kaiser:** Yes, sir. Then, the last one would be item number nine.

18 **Item Number 9**

19 **Bradley Lambert:** Number nine is a petition from EQT Production Company, for Petition for
20 the disbursement of funds and authorization for direct payment on behalf of all known owners as
21 to Tracts 2, 3, 4, 5 and 6 in Well VC-537244. Docket Number VGOB-07-1218-2101-01.
22 Continued until November?

23 **Rita Barrett:** Please. And, the reason for this continuance, Mr. Chairman is this involves the
24 Arrington Cemetery Trustees.

25 **Bradley Lambert:** I'm still trying to get a hold of...

26 **Rita Barrett:** I know you are and I appreciate that.

27 **Bradley Lambert:** Maybe one of these days we will get a hold of him.

1 **Paul Kugelman:** I just have a quick question. What is the reason for the...[inaudible] on
2 Docket Item Number three?

3 **Rita Barrett:** Docket Item Number three? Tract 10 in that unit has been sold and also Mr. Horn
4 with Range is working with Ms. Rose. She's claiming ownership, 100% ownership in Tract nine.

5 **Paul Kugelman:** [Inaudible]

6 **Rita Barrett:** I'm sorry

7 **Paul Kugelman:** [Inaudible]

8 **Rita Barrett:** Yeah, you could say that. We're still trying to determine if it's an heirship or if
9 she does own all of Tract nine.

10 [Inaudible]

11 **Rita Barrett:** That's fine.

12 **Bradley Lambert:** Are we ready to call Docket Item Number 4?

13 **Jim Kaiser:** Yes, sir.

14 **Item Number 4**

15 **Bradley Lambert:** A petition from EQT Production Company, for Petition for the disbursement
16 of funds and authorization for direct payment on behalf of the known owners of Tracts 1, 2, 3
17 and 4 in Well VC-702846, Docket Number VGOB-93-0316-0343-03. All parties wishing to
18 testify, please come forward.

19 **Jim Kaiser:** Mr. Chairman, Jim Kaiser and Rita Barrett on behalf of EQT Production.

20 **Bradley Lambert:** Ms. Barrett, you've been sworn in. Mr. Kaiser, you may proceed.

21 **Jim Kaiser:** Ms. Barrett, could you state your name and who you are employed by, for the
22 record?

23 **Rita Barrett:** Yes, my name is Rita McGlothlin Barrett. I'm employed by EQT Production
24 Company, as a contract landman.

25 **Jim Kaiser:** And this is a disbursement request?

26 **Rita Barrett:** Yes, sir.

27 **Jim Kaiser:** And have all parties been notified as required by statute?

28 **Rita Barrett:** Yes.

1 **Jim Kaiser:** And what unit does this affect?

2 **Rita Barrett:** This is unit VC-702846.

3 **Jim Kaiser:** And what tracts within that unit?

4 **Rita Barrett:** It's tracts 2 and 4. The Docket reflects tracts 1 and 3, but it's actually 2 and 4.

5 **Jim Kaiser:** It actually reflects 1, 2, 3 and 4.

6 **Rita Barrett:** Right. But it's actually...

7 **Jim Kaiser:** It should just be 2 and 4.

8 **Bradley Lambert:** Okay. We'll make that correction.

9 **Jim Kaiser:** All right. Is this a partial or a full disbursement?

10 **Rita Barrett:** This will be 100%.

11 **Jim Kaiser:** So, this will close out the escrow for this unit?

12 **Rita Barrett:** Yes.

13 **Jim Kaiser:** Good. The reason for the disbursement?

14 **Rita Barrett:** We have a letter dated January 14, 2014, wherein Range Resources relinquishes
15 their claim to the coalbed methane royalty.

16 **Jim Kaiser:** And have all the figures been reconciled between the bank and EQT?

17 **Rita Barrett:** Yes, as of January 10, 2014.

18 **Jim Kaiser:** And should the Board, for purposes of disbursement...should the Board use the
19 percentage of escrow fund to be disbursed which is represented by the next to the last column on
20 the right in our Exhibit AA?

21 **Rita Barrett:** Yes.

22 **Jim Kaiser:** And does that correctly reflect who should receive the disbursements and at what
23 percentage?

24 **Rita Barrett:** It does.

25 **Jim Kaiser:** And have we provided the Board with Exhibits E and EE to reflect the facts of this
26 disbursement.

27 **Rita Barrett:** Yes.

1 **Jim Kaiser:** Would you ask that any Board order direct that the royalty be paid directly to these
2 owners going forward?

3 **Rita Barrett:** Yes.

4 **Jim Kaiser:** No further questions at this time, Mr. Chairman.

5 **Bradley Lambert:** Any questions from the Board? [No response] Anything further, Mr.
6 Kaiser?

7 **Jim Kaiser:** We would ask that the application be approved as submitted.

8 **Bradley Lambert:** Do I have a motion?

9 **Donnie Rife:** Motion made, Mr. Chairman.

10 **Mary Quillen:** Second.

11 **Bradley Lambert:** I have a motion and a second. All in favor signify by saying yes.

12 **Board:** Yes.

13 **Bradley Lambert:** Opposed, no. [No response] Thank you, Mr. Kaiser.

14 **Jim Kaiser:** Thank you.

15 **Rita Barrett:** Thank you.

16 **Item Number 5**

17 **Bradley Lambert:** We are calling Docket Item Number 5, a petition from EQT Production
18 Company, for Petition for the disbursement and authorization for direct payment on behalf of the
19 known owners on tracts 2, 3, 5, 6 and 7 on Well VC-703324. This is Docket Number VGOB-97-
20 0415-0574-02. All parties wishing to testify, please come forward.

21 **Jim Kaiser:** Again, Mr. Chairman, Jim Kaiser and Rita Barrett for EQT Production.

22 **Bradley Lambert:** You may proceed, Mr. Kaiser.

23 **Jim Kaiser:** Ms. Barrett, again this is a disbursement request?

24 **Rita Barrett:** It is.

25 **Jim Kaiser:** And have all parties been notified as required by statute?

26 **Rita Barrett:** Yes.

1 **Jim Kaiser:** And what unit does this disbursement affect?

2 **Rita Barrett:** This unit is VC3324.

3 **Jim Kaiser:** And what tracts are we disbursing?

4 **Rita Barrett:** We are disbursing Tracts 2, 5, 6 and 7 and, again, the Docket has 2, 3, 5, 6 and 7.
5 That three needs to be removed, please.

6 **Bradley Lambert:** So, again, is this information that they submit?

7 **Rick Cooper:** They submit this data.

8 **Bradley Lambert:** Okay.

9 **Jim Kaiser:** Whatever. And the reason for this disbursement?

10 **Rita Barrett:** We have a letter dated January 14, 2014, wherein Range Resources relinquishes
11 their claim to the coalbed methane royalty.

12 **Jim Kaiser:** And is this a partial or full disbursement?

13 **Rita Barrett:** This will be a full disbursement.

14 **Jim Kaiser:** So, this will close out the escrow for this unit?

15 **Rita Barrett:** Yes.

16 **Jim Kaiser:** Very good. And have the figures been reconciled between the bank and EQT?

17 **Rita Barrett:** Yes, as of June 13, 2014.

18 **Jim Kaiser:** And, again, for disbursement purposes, would you direct the Board to the
19 percentage of escrowed funds to be disbursed which is represented in the next to last column on
20 the right on Exhibit AA?

21 **Rita Barrett:** Yes.

22 **Jim Kaiser:** And, does that reflect what percentage should be used and who should be paid?

23 **Rita Barrett:** It does.

24 **Jim Kaiser:** And have you provided the Board with Exhibits E and EE to reflect the facts of this
25 disbursement?

26 **Rita Barrett:** Yes.

1 **Jim Kaiser:** And would you ask that all royalty due these royalty owners be paid to them
2 directly going forward?

3 **Rita Barrett:** Yes.

4 **Jim Kaiser:** Nothing further at this time, Mr. Chairman.

5 **Bradley Lambert:** Any questions from the Board? [No response] Anything further, Mr.
6 Kaiser?

7 **Jim Kaiser:** We would ask that the application be approved as submitted.

8 **Bradley Lambert:** Do I have a motion?

9 **Bill Harris:** I'll move.

10 **Donnie Rife:** Second, Mr. Chairman.

11 **Bradley Lambert:** I have a motion and I have a second. All in favor, signify by saying yes.

12 **Board:** Yes.

13 **Bradley Lambert:** Any opposed? [No response] Thank you, Mr. Kaiser.

14 **Item Number 6**

15 **Bradley Lambert:** We are calling Docket Item Number 6, a petition from EQT Production
16 Company, for Petition for disbursement of funds and authorization for direct payment on behalf
17 of all known owners as to Tracts 1, 3, 7, 11, 12, 13, 14 and 15 in Well VC-537637. Docket
18 Number VGOB-07-0320-1905-02. All parties wishing to testify, please come forward.

19 **Jim Kaiser:** Again, Jim Kaiser and Rita Barrett for EQT Production. Ms. Barrett, is this
20 another disbursement request?

21 **Rita Barrett:** It is.

22 **Jim Kaiser:** And, again, have all parties been notified as required by statute?

23 **Rita Barrett:** Yes.

24 **Jim Kaiser:** And what unit does this affect?

25 **Rita Barrett:** This is unit VC-537637.

26 **Jim Kaiser:** And what tracts?

27 **Rita Barrett:** Tracts 1, 3, 7, 11, 12, 13, 14 and 15.

1 **Jim Kaiser:** Now, is this a partial or full disbursement?

2 **Rita Barrett:** This is a partial.

3 **Jim Kaiser:** Okay. And the reason for the disbursement?

4 **Rita Barrett:** We have a letter dated March 21, 2014, wherein Range Resources relinquished its
5 claim to the coalbed methane royalty.

6 **Jim Kaiser:** And have the figures been reconciled between the escrow agent and EQT?

7 **Rita Barrett:** Yes, as of June 13, 2014.

8 **Jim Kaiser:** And, again, would you direct the Board to the last column on the right in AA for
9 what percentage of the funds should be disbursed and who they should be disbursed to?

10 **Rita Barrett:** Yes.

11 **Jim Kaiser:** And have you provided the Board with Exhibits E and EE to reflect the facts after
12 this disbursement?

13 **Rita Barrett:** Yes.

14 **Jim Kaiser:** And would you ask that any order direct that the royalty going forward be paid
15 directly to these owners?

16 **Rita Barrett:** Yes.

17 **Jim Kaiser:** Nothing further of this witness at this time, Mr. Chairman.

18 **Bradley Lambert:** Questions from the Board?

19 **Bill Harris:** One question. I noticed that some of our other [inaudible] when we look at the
20 spreadsheets on page 5. The others from Range Resources relinquished or decided not to resume
21 royalties there. There was actually an item on there that shows zero in terms of the amount that
22 was to be distributed. And the amount seen down here, is that just... I think there were two
23 cases, maybe four. I don't know if that's necessary, but....

24 **Rita Barrett:** Well, they've relinquished their claim, so it would automatically be zero. I'm not
25 sure why it's not on the Exhibit.

26 **Bill Harris:** I was just asking because in the other ones there was actually a line item that
27 showed zero.

28 **Jim Kaiser:** You're right.

29 **Rita Barrett:** I can get that corrected if you want me to.

1 **Jim Kaiser:** I'm going to guess two different people prepared spreadsheets, would be my guess.

2 **Bill Harris:** Well, I guess I'll just look for it...

3 **Jim Kaiser:** We can provide them either way if you think it's maybe a little clearer that way.

4 That's fine. It probably is. Just add one line.

5 **Bill Harris:** Well, I was just sort of surprised that.... they should be showing as zero.

6 **Rita Barrett:** I think Jim's right. Two different individuals prepared the exhibits.

7 **Mary Quillen:** And relinquishing implies that it's zero.

8 **Jim Kaiser:** Gone.

9 **Rita Barrett:** It's zero, anyway.

10 **Bill Harris:** But, do we have a copy of the letter then.

11 **Bradley Lambert:** Yes, we do.

12 **Mary Quillen:** Yes, the letters...

13 **Jim Kaiser:** We'll check those going forward, Mr. Harris, and make sure they get. We'll just

14 make sure they're consistent.

15 **Bill Harris:** I just wanted to make sure something was in the paperwork presented to us that can

16 actually shows the zero, and I see the letter now. That probably would suffice. I just thought

17 when you added it... when it was in the other one, I just thought it might be there in all of them.

18 **Rick Cooper:** Right. If anybody's looking at page 23...

19 **Bill Harris:** Yes.

20 **Bradley Lambert:** Any other questions from the Board? [No response] Anything further, Mr.

21 Kaiser?

22 **Jim Kaiser:** We would ask that the application be approved as submitted, Mr. Chairman.

23 **Bradley Lambert:** Do I have a motion?

24 **Mary Quillen:** Motion to approve.

25 **Bill Harris:** Second.

26 **Bradley Lambert:** All in favor, signify by saying yes.

27 **Board:** Yes.

1 **Bradley Lambert:** Any opposed, no. [No response] Thank you, Mr. Kaiser.

2 **Jim Kaiser:** Thank you.

3 **Rita Barrett:** Thank you.

4 **Item Number 7**

5 **Bradley Lambert:** We are calling Docket Item Number 7, a petition from EQT Production
6 Company, for Petition for disbursement and authorization for direct payment on behalf of all
7 known owners on tracts 3, 4, 5, 6, 7, 8 and 9 in Well VC-537811. This is Docket Number
8 VGOB-08-0415-2205-01. All parties wishing to testify, please come forward.

9 **Jim Kaiser:** Jim Kaiser and Rita Barrett again, Mr. Chairman. Ms. Barrett, again this is a
10 disbursement request?

11 **Rita Barrett:** It is.

12 **Jim Kaiser:** Have all parties been notified as required by statute?

13 **Rita Barrett:** Yes.

14 **Jim Kaiser:** What unit does this disbursement affect?

15 **Rita Barrett:** This is unit VC-537811.

16 **Jim Kaiser:** And what tracts?

17 **Rita Barrett:** Tracts 3, 4, 5, 6, 7, 8 and 9.

18 **Jim Kaiser:** Will this be a partial or full disbursement?

19 **Rita Barrett:** This will be 100% disbursement.

20 **Jim Kaiser:** So, this will close out the escrow for this unit?

21 **Rita Barrett:** Yes.

22 **Jim Kaiser:** And the reason for the disbursement?

23 **Rita Barrett:** We have a letter from Range Resources dated March 21, 2014, wherein they
24 relinquish their claim to the coalbed methane royalty.

25 **Jim Kaiser:** Now, have the figures been reconciled between the escrow agent and EQT?

26 **Rita Barrett:** Yes, as of June 13, 2014.

1 **Jim Kaiser:** And would you direct the Board to the last column to the right in Exhibit AA as to
2 what percentage of funds should be disbursed and as to what parties?

3 **Rita Barrett:** Yes.

4 **Jim Kaiser:** And have you provided the Board with Exhibits E and EE to reflect the facts of this
5 disbursement?

6 **Rita Barrett:** Yes.

7 **Jim Kaiser:** Would you ask that any order direct royalty be paid directly to the royalty owners
8 going forward?

9 **Rita Barrett:** Yes.

10 **Jim Kaiser:** Nothing further of this witness at this time, Mr. Chairman.

11 **Bradley Lambert:** Any questions from the Board? [No response] Anything further, Mr.
12 Kaiser?

13 **Jim Kaiser:** We ask that the application be approved as submitted.

14 **Bradley Lambert:** Do I have a motion?

15 **Donnie Rife:** Motion made, Mr. Chairman.

16 **Bill Harris:** Second.

17 **Bradley Lambert:** I have a motion and a second. Any further discussion? [No response] All
18 in favor, signify by saying yes.

19 **Board:** Yes.

20 **Bradley Lambert:** Opposed, no. [No response] Thank you, Mr. Kaiser.

21 **Jim Kaiser:** Thank you.

22 **Rita Barrett:** Thank you.

23 **Item Number 10**

24 **Bradley Lambert:** We're calling Docket Item Number 10. A petition from EQT Production
25 Company, for Petition for the disbursement of escrowed funds and authorization for direct
26 payment for Willard and Glenda Bentley, Walter and Wilma Bentley, Beverly and Bobby
27 Bentley, and Pamela Bentley for Tract 4 on Well VC-504929. This is Docket Number VGOB-
28 01-1218-0996-01. All parties wishing to testify please come forward.

1 **Jim Kaiser:** Jim Kaiser and Rita Barrett on behalf of EQT Production.

2 **Shea Cook:** Shea Cook on behalf of the owners.

3 **Bradley Lambert:** You may proceed.

4 **Jim Kaiser:** Ms. Barrett, again this is a disbursement request?

5 **Rita Barrett:** It is.

6 **Jim Kaiser:** And have all parties been notified as required by statute?

7 **Rita Barrett:** Yes.

8 **Jim Kaiser:** And what unit does this disbursement affect?

9 **Rita Barrett:** Unit VC-504929.

10 **Jim Kaiser:** And what tracts?

11 **Rita Barrett:** Tract 4.

12 **Jim Kaiser:** Tract 4. And is this a partial or full disbursement?

13 **Rita Barrett:** This is a partial.

14 **Jim Kaiser:** And the reason for the disbursement?

15 **Rita Barrett:** We have a Wise County court order dated June 26, 2014.

16 **Jim Kaiser:** And have the figures been reconciled between the escrow agent and EQT?

17 **Rita Barrett:** Yes, as of June 13, 2014.

18 **Jim Kaiser:** And would you direct the Board to the next to last column on the right on Exhibit

19 AA as for percentage of escrowed funds to be disbursed and who they should be disbursed to?

20 **Rita Barrett:** Yes, sir.

21 **Jim Kaiser:** And have you provided the Board with Exhibits E and EE to reflect the facts of this

22 disbursement?

23 **Rita Barrett:** Yes.

24 **Jim Kaiser:** And would you ask that any royalty being due these owners going forward be paid

25 to them directly?

26 **Rita Barrett:** Yes.

1 **Jim Kaiser:** Nothing further of this witness at this time, Mr. Chairman.

2 **Bradley Lambert:** Any questions from the Board? [No response] Mr. Cook.

3 **Shea Cook:** No questions.

4 **Bradley Lambert:** Okay. It's your turn.

5 **Shea Cook:** I have no additional information to present.

6 **Paul Kugelman:** And, do you have the affidavits for us?

7 **Shea Cook:** Yes, I gave them to Rick Cooper.

8 **Rick Cooper:** I guess we need to put that on record.

9 **Shea Cook:** Okay. I have fully executed affidavits on behalf of all the owners.

10 **Bradley Lambert:** These power of attorneys direct the escrow agent to pay out to...

11 **Rick Cooper:** Mr. Cook. That's correct. Checks be written to Mr. Cook.

12 **Bradley Lambert:** Okay. So, you're going to take care of...

13 **Rick Cooper:** We'll take care of that, yes.

14 **Bradley Lambert:** Anything further from the Board? [No response] Anything further, Mr.

15 Kaiser?

16 **Jim Kaiser:** We would ask that the application be approved as submitted, Mr. Chairman.

17 **Bradley Lambert:** Do I have a motion?

18 **Donnie Rife:** Motion made, Mr. Chairman.

19 **Bill Harris:** Second.

20 **Bradley Lambert:** I have a motion and a second. Any further discussion? [No response] All

21 in favor signify by saying yes.

22 **Board:** Yes.

23 **Bradley Lambert:** Opposed no. [No response] Thank you, Mr. Kaiser.

24 **Jim Kaiser:** Thank you.

25 **Rita Barrett:** Thank you.

1 **Item Number 11**

2 **Bradley Lambert:** We are calling Docket Item Number 11. It's a petition from EQT
3 Production Company, for petition for the disbursement of escrowed funds and authorization for
4 direct payment to Willard and Glenda Bentley, Walter and Wilma Bentley, Beverly and Bobby
5 Bentley, and Pamela Bentley for Tract 8 on Well VC-703424. This is Docket Number VGOB-
6 97-0715-0594-01. All parties wishing to testify please come forward.

7 **Jim Kaiser:** Again, Mr. Chairman, Jim Kaiser and Rita Barrett for EQT Production.

8 **Bradley Lambert:** Mr. Cook.

9 **Shea Cook:** On behalf of the owners, Terrance Cook.

10 **Bradley Lambert:** You may proceed, Mr. Kaiser.

11 **Jim Kaiser:** Ms. Barrett, again this is a disbursement request?

12 **Rita Barrett:** It is.

13 **Jim Kaiser:** And have all parties been notified as required by statute?

14 **Rita Barrett:** Yes, sir.

15 **Jim Kaiser:** And what unit does this disbursement affect?

16 **Rita Barrett:** This is unit VC-3424.

17 **Jim Kaiser:** And what tract are we disbursing?

18 **Rita Barrett:** Tract number 8.

19 **Jim Kaiser:** And will this be a partial or full disbursement?

20 **Rita Barrett:** This will be a partial.

21 **Jim Kaiser:** And the reason for the disbursement?

22 **Rita Barrett:** Again, we have a court order, a Wise County court order, dated June 26, 2014.

23 **Jim Kaiser:** And the figures have been reconciled between the escrow agent and EQT?

24 **Rita Barrett:** Yes, as of June 13, 2014.

25 **Jim Kaiser:** And does the last column from the right on Exhibit AA direct the Board as to the
26 percentage of the escrowed funds to be disbursed and who they should be disbursed to?

27 **Rita Barrett:** Yes, sir.

1 **Jim Kaiser:** And have you provided the Board with Exhibits E and EE to reflect the facts of this
2 disbursement?

3 **Rita Barrett:** Yes, sir.

4 **Jim Kaiser:** Would you ask that any royalty due these parties be paid directly going forward?

5 **Rita Barrett:** Yes.

6 **Jim Kaiser:** Nothing further of this witness at this time, Mr. Chairman.

7 **Bradley Lambert:** Any questions from the Board? [No response] Mr. Cook.

8 **Shea Cook:** No questions.

9 **Bradley Lambert:** You are still presenting the same affidavits that...

10 **Shea Cook:** We do and I think those have previously been submitted and, I think, were deemed
11 satisfactory by the Board, or at least by the Director.

12 **Bradley Lambert:** Thank you, Mr. Cook. Anything further, Mr. Kaiser?

13 **Jim Kaiser:** We would ask that the application be approved...

14 **Mary Quillen:** Before you ask, just clarifying, those affidavits cover both of these. Is that
15 correct?

16 **Bradley Lambert:** Yes, the affidavits that Mr. Cook submitted reference the names that are in...
17 and give him power of attorney.

18 **Mary Quillen:** And this is on both the wells and both tracts?

19 **Paul Kugelman:** I've looked at the power of attorney...they've all been properly... The ones that
20 Mr. Cook has submitted...he submitted nine. I don't know the names, but the power of attorney
21 do not limit him, or designate him as attorney in fact, to a particular petition number, it's just
22 power of attorney for the individual.

23 **Mary Quillen:** Oh, it's a blanket?

24 **Paul Kugelman:** Yes, ma'am.

25 **Mary Quillen:** Thank you.

26 **Paul Kugelman:** Well, it's a blanket, but it's limited to receiving escrow account checks.

27 **Mary Quillen:** Right. Thank you.

28 **Bradley Lambert:** Any other questions? [No response] Anything further, Mr. Kaiser?

1 **Jim Kaiser:** We would ask that the application be approved as submitted.
2 **Bradley Lambert:** Do I have a motion?
3 **Bill Harris:** Motion to approve.
4 **Donnie Rife:** Second.
5 **Bradley Lambert:** I have a motion and I have a second. Any further discussion? [No
6 response] All in favor, signify by saying yes.
7 **Board:** Yes.
8 **Bradley Lambert:** Opposed, no. [No response] Thank you, Mr. Kaiser.
9 **Jim Kaiser:** Thank you.
10 **Rita Barrett:** Thank you.

11 **Item Number 12**

12 **Bradley Lambert:** We're calling Docket Item Number 12. A petition from EQT Production
13 Company, for Petition for the disbursement of escrowed funds and authorization for direct
14 payment on behalf of Don and Sharon Funk, Tracts 2 and 3 and Richard and Sherry Clark, Tract
15 7 on Well VC-703766. This is Docket Number VGOB-98-0818-0677-02. All parties wishing to
16 testify please come forward.
17 **Jim Kaiser:** Again, Mr. Chairman, Jim Kaiser and Rita Barrett for EQT Production.
18 **Shea Cook:** Shea Cook on behalf of Donald Funk, Sharon Funk, Sherry Clark and Richard
19 Clark.
20 **Bradley Lambert:** You may proceed, Mr. Kaiser.
21 **Jim Kaiser:** Ms. Barrett, again this is a disbursement request?
22 **Rita Barrett:** It is.
23 **Jim Kaiser:** Have all parties been notified?
24 **Rita Barrett:** Yes, sir.
25 **Jim Kaiser:** And what unit does it affect?
26 **Rita Barrett:** This is unit VC-703766.
27 **Jim Kaiser:** And what tracts?

1 **Rita Barrett:** Tracts 2, 3 and 7.

2 **Jim Kaiser:** Is this a partial or full disbursement?

3 **Rita Barrett:** This is a partial.

4 **Jim Kaiser:** And, again, the reason for the disbursement?

5 **Rita Barrett:** Again, we have a Wise County court order dated June 26, 2014.

6 **Jim Kaiser:** And have all figures been reconciled between the escrow agent and EQT?

7 **Rita Barrett:** Yes, as of June 13, 2014.

8 **Jim Kaiser:** And would you direct the Board to the last column to the right on Exhibit AA for
9 the percentage of escrowed funds to be disbursed and the parties to whom those funds should be
10 disbursed?

11 **Rita Barrett:** Yes.

12 **Jim Kaiser:** And have you provided the Board with Exhibits E and EE to reflect the facts of the
13 disbursement?

14 **Rita Barrett:** Yes.

15 **Jim Kaiser:** And would you ask that all royalties due these parties be paid directly going
16 forward?

17 **Rita Barrett:** Yes.

18 **Jim Kaiser:** Thank you, Mr. Chairman. Nothing further of this witness.

19 **Bradley Lambert:** Any questions from the Board? [No response] Mr. Cook.

20 **Shea Cook:** No questions. And we have also submitted the same power of attorneys on behalf
21 of both the Funks and the Clarks and we understand that those were accepted by the Board.

22 **Mary Quillen:** Is that included in those that were handed to you previously?

23 **Paul Kugelman:** I'm sorry.

24 **Mary Quillen:** Were those...

25 **Paul Kugelman:** I'd have to...[inaudible].

26 **Rick Cooper:** Yes, he does have power of attorney for these people.

27 **Mary Quillen:** And you do have those documents?

1 **Rick Cooper:** Yes, we do have those.

2 **Mary Quillen:** Okay. Thank you.

3 **Bradley Lambert:** Excuse me, ladies. Ms. Sneeuwjagt.

4 **Rick Cooper:** Ms. Sneeuwjagt.

5 **Mary Quillen:** Ladies.

6 **Bradley Lambert:** I'm going to ask you to please lower your voices. We can hear you pretty
7 good up here.

8 **Juanita Sneeuwjagt:** I'm so sorry.

9 **Bradley Lambert:** Okay. Thank you.

10 **Juanita Sneeuwjagt:** This lady couldn't hear and she was asking me to verify something.

11 **Bradley Lambert:** Okay.

12 **Juanita Sneeuwjagt:** I apologize.

13 **Bradley Lambert:** Thank you, Ms. Sneeuwjagt. We just have a hard time hearing up here.
14 Anything further, Mr. Kaiser?

15 **Jim Kaiser:** We would ask that the application be approved as submitted, Mr. Chairman.

16 **Bradley Lambert:** Do I have a motion?

17 **Donnie Rife:** Motion made, Mr. Chairman.

18 **Bill Harris:** Second.

19 **Bradley Lambert:** I have a motion and I have a second. Any further discussion? [No
20 response] All in favor, signify by saying yes.

21 **Board:** Yes.

22 **Bradley Lambert:** Opposed, no. [No response] Thank you, Mr. Kaiser. That is approved.

23 **Jim Kaiser:** Thank you.

24 **Rita Barrett:** Thank you.

1 **Item Number 13**

2 **Bradley Lambert:** Next, we're calling Docket Item Number 13. A petition from CNX Gas
3 Company, LLC, for the disbursement of escrowed funds deposited with the Board's Escrow
4 Agent attributable to Tracts 15 and 19 and authorization to begin paying royalties directly to the
5 parties to the royalty split agreement between Torch Oil & Gas Company and Mary Ann
6 Bartram, Thelma Jean Kline, Mamie K. Cook, and Francis Hinchee Stearns. This is Docket
7 Number VGOB-95-1024-0526-05. All parties wishing to testify please come forward.

8 **Mark Swartz:** Good morning. Mark Swartz and Anita Duty.

9 **Bradley Lambert:** Good morning. Ms. Duty, will you be sworn in, please?

10 **Sarah Gilmer:** Do you swear or affirm that your testimony is the truth, the whole truth and
11 nothing but the truth?

12 **Anita Duty:** Yes.

13 **Bradley Lambert:** Mr. Swartz, we have called your Docket Item. You may proceed.

14 **Mark Swartz:** Thank you. Anita, would you state your name for us, please?

15 **Anita Duty:** Anita Duty.

16 **Mark Swartz:** Who do you work for?

17 **Anita Duty:** CNX Land, LLC.

18 **Mark Swartz:** And what is your title?

19 **Anita Duty:** Pooling Supervisor.

20 **Mark Swartz:** And as part of your duties as pooling supervisor, are you responsible for
21 requesting disbursements from escrow?

22 **Anita Duty:** Yes.

23 **Mark Swartz:** And did you either prepare yourself or supervise the preparation of this
24 disbursement request?

25 **Anita Duty:** I did.

26 **Mark Swartz:** And the request pertains to what unit?

27 **Anita Duty:** VP8SGU1.

28 **Mark Swartz:** Okay. And is it a partial disbursement?

1 **Anita Duty:** It is.

2 **Mark Swartz:** And what tracts does it pertain to?

3 **Anita Duty:** A portion of Tract 15 and 19.

4 **Mark Swartz:** And, in the event the disbursement request is approved with regard to a portion
5 of those two tracts, is there also a request that we be allowed to pay the people receiving the
6 disbursements directly in the future, rather than escrowing their funds?

7 **Anita Duty:** Yes.

8 **Mark Swartz:** Okay. And the reason for this request is what?

9 **Anita Duty:** A royalty split agreement.

10 **Mark Swartz:** Okay. And have you actually seen that agreement?

11 **Anita Duty:** I have.

12 **Mark Swartz:** And is it a 50/50 agreement?

13 **Anita Duty:** Yes.

14 **Mark Swartz:** And have you used that as the basis for preparing your disbursement table?

15 **Anita Duty:** Yes.

16 **Mark Swartz:** Okay. Going to that table....within the petition, there is a Table 1. Correct?

17 **Anita Duty:** Yes.

18 **Mark Swartz:** And that Table 1 is broken down so that it addresses, first of all, Tract 15 and
19 then Tract 19.

20 **Anita Duty:** Yes.

21 **Mark Swartz:** And is this the Table that the escrow agent should use to identify the people that
22 are to receive the disbursements and then to identify the percentages that should be used?

23 **Anita Duty:** Yes.

24 **Mark Swartz:** Okay. And let's start with Tract 15 and if you would tell the Board the names of
25 the people that should be receiving the disbursements and then the percentage for each person
26 that the escrow agent should use.

27 **Anita Duty:** For Tract 15, Mary Ann Bartram should receive 2.0889% of the escrow account.
28 Torch Operating Company, Thelma Kline should also receive an additional 2.0889% and Torch

1 Operating Company 2.0889%. Mamie Cook and Torch Operating, 2.0889%. Francis Stearns
2 and Torch Operating an additional 2.0889%. For Tract 19, Mary Ann Bartram and Torch should
3 each receive 0.0465%. Thelma Kline and Torch should receive 0.0465. Mamie Cook and Torch
4 Operating Company should each receive 0.0465 and Francis Stearns and Torch Operating should
5 each receive 0.0465%.

6 **Mark Swartz:** Did you also...you and/or your staff...do an analysis of the deposits that you had
7 made to this escrow account over the years and compare those deposits the, or the checks, the
8 royalty checks that you sent in, to the deposits that were booked by the various escrow agents?

9 **Anita Duty:** Yes.

10 **Mark Swartz:** Okay. And did you prepare a table or an Exhibit J with regard to that work?

11 **Anita Duty:** We did.

12 **Mark Swartz:** And that's the very last piece of this petition, I think.

13 **Anita Duty:** Yes.

14 **Mark Swartz:** Okay. And, on that Table, did you list, by date, all of the deposits, all of the
15 checks that you sent in and then try to find a corresponding deposit?

16 **Anita Duty:** Yes.

17 **Mark Swartz:** And were you able to find a corresponding deposit for each check?

18 **Anita Duty:** We did.

19 **Mark Swartz:** Okay. And, then, at the very end of that Exhibit did you do some math?

20 **Anita Duty:** Yes.

21 **Mark Swartz:** Okay. And the total deposited into the account over time was what amount?

22 **Anita Duty:** \$413,058....wait....originally?

23 **Mark Swartz:** Correct.

24 **Anita Duty:** Okay. \$499,652.48.

25 **Mark Swartz:** Okay. And, then from that amount there were disbursements?

26 **Anita Duty:** Yes.

27 **Mark Swartz:** And what were the amounts of the disbursements?

1 **Anita Duty:** The 01 disbursement \$4,225.04. The 02 disbursement \$23,430.05. The 03
2 disbursement \$58,696.19. The 04 disbursement \$31,621.85.

3 **Mark Swartz:** And then there actually, between the interest and fees, over time that was
4 actually a positive number?

5 **Anita Duty:** Yes.

6 **Mark Swartz:** And you added that back in?

7 **Anita Duty:** We did.

8 **Mark Swartz:** And you arrived at what amount at that point?

9 **Anita Duty:** \$41,058.18.

10 **Mark Swartz:** Okay. And, then you compared that to the bank balance and it turned out the
11 bank actually had slightly over \$1,000 more than that?

12 **Anita Duty:** It did.

13 **Mark Swartz:** Attributable to fees and costs that we don't really have the records for.

14 **Anita Duty:** Correct.

15 **Mark Swartz:** But you were able to identify and account for all of the royalty checks you sent,
16 that they were received and deposited.

17 **Anita Duty:** Yes.

18 **Mark Swartz:** Okay. And are you requesting that the Board make the disbursements from
19 these two tracts and that the escrow agent be directed to use the percentages you have placed on
20 the record at the time the disbursement is made?

21 **Anita Duty:** Yes.

22 **Mark Swartz:** And are you also requesting that you be allowed, as operator, to pay these folks
23 directly in the future?

24 **Anita Duty:** Yes.

25 **Mark Swartz:** And, lastly, this reconciliation was as of what date? The homework on the bank
26 account and check deposits.

27 **Anita Duty:** April 30, 2014.

28 **Mark Swartz:** That's all I have, Mr. Chairman.

1 **Bradley Lambert:** Any questions from the Board?

2 **Bill Harris:** Mr. Chairman, let me just ask a question and maybe I'm getting picky, but I notice
3 that a couple of the names as you were reading them, you said an additional something
4 something percent.

5 **Anita Duty:** Torch gets and additional. Every time one person gets paid, Torch gets paid an
6 additional payment.

7 **Bill Harris:** So, you really meant an additional for that. Okay.

8 **Mark Swartz:** Yes.

9 **Bill Harris:** I know that they are listed several times.

10 **Mark Swartz:** Correct.

11 **Anita Duty:** The way e-forms makes us break it out, we can't just have one total for Torch. It
12 makes us give an individual total per owner on the other side of the royalty agreement.

13 **Bill Harris:** Recipient of the....okay. Thank you.

14 **Paul Kugelman:** Just forgive me. I'm new to representing VGOB and I'm wondering if you
15 could just briefly explain to me what a split agreement is.

16 **Anita Duty:** Well, in Virginia there is a conflict to CBM. And, so the coal owner and the oil
17 and gas owner, among themselves come together as an agreement, either some are...most of them
18 are 50/50 that they decide to split the royalty or we have....just an agreement.

19 **Paul Kugelman:** So, it's a...if I understand what you're getting at.... It's an agreement between
20 the coal owner and the coalbed methane owner to split the royalties. Is in effect to face
21 [Inaudible] resolving the conflict.

22 **Anita Duty:** Well, not the coalbed methane owner because that's the problem. But it's the coal
23 owner's claim to CBM and the oil and gas owner's claim to CBM and they each come together
24 and agree to split. We don't know who the owner should be in this. We know the oil and gas
25 owner and we know the coal owner.

26 **Mark Swartz:** And they enter into a contract, whereby they resolve the dispute with regard to
27 who owns the CBM on an agreed basis. Either they'll split it 50/50 or they'll split it on some
28 other contractual basis.

29 **Mary Quillen:** But there's no private contracts between....those are the private contracts
30 between those owners or those claimants?

1 **Mark Swartz:** Right. They actually enter into a written agreement. I mean, we would not
2 disburse on a handshake. So, they actually make a written agreement that they sign. We confirm
3 that they are the owners that we have identified of the various mineral estates and that if they
4 have reached an agreement, then that would resolve the issue.

5 **Paul Kugelman:** Maybe I misunderstood something. Okay. This is the royalty payments are
6 CBM escrow payment. They're from CBS...excuse me. Thinking of television. CBM. And, if I
7 understood what you just said, the CBM owner isn't involved. It's the coal owner and the....

8 **Mark Swartz:** Well, it's one or the other.

9 **Anita Duty:** We don't know who the CBM owner is because that's never been decided in
10 Virginia.

11 **Paul Kugelman:** What about Belcher and Harrison Wyatt?

12 **Mark Swartz:** That decided that case.

13 **Anita Duty:** Right.

14 **Paul Kugelman:** Decided that case.

15 **Anita Duty:** That was Belcher and Harrison Wyatt, yes.

16 **Paul Kugelman:** Okay. So, basically, getting back to what a split agreement is.... It's just an
17 agreement between competing claims to resolve it so that the funds can be disbursed.

18 **Mark Swartz:** Right. But it does account for all of the people that have a dog in the hunt.

19 **Paul Kugelman:** It accounts for all of the people? Or does it not?

20 **Mark Swartz:** It does.

21 **Paul Kugelman:** Okay.

22 **Mark Swartz:** It has to. Otherwise, you know, it's not going to work.

23 **Paul Kugelman:** Certainly.

24 **Mark Swartz:** With regard to the money that's coming out of escrow, and you'll notice that it's
25 pieces not the whole account here. But, with regard to the pieces that are being disbursed, we
26 have a written contract or agreement between all of the competing persons for that money and
27 they have said, "This is how we're going to resolve our dispute. Please pay us."

28 **Paul Kugelman:** I understand. Okay. Thank you for clarifying that. I appreciate it. Again, I'm
29 new to this and I was trying to get my bearings.

1 **Mark Swartz:** And, with regard to your question, I think there are a number of decisions on
2 who owns coalbed methane, kind of in the pipeline now. And I think it's getting clearer. People
3 ought to have a better understanding of the quality of their claim to coalbed methane. Another
4 decision on Friday, for example, where....

5 **Paul Kugelman:** That was Belcher.

6 **Mark Swartz:** Actually, well I call it Sword's Creek, but I don't know if it's Belcher.

7 **Paul Kugelman:** Belcher is the other side of Sword's Creek.

8 **Mark Swartz:** Okay. And I'm not sure that was.... I don't want to spend a lot of time on that,
9 but I'm not sure that was....

10 **Paul Kugelman:** We don't need to debate that now. I would think it would be fair to say we
11 probably have different readings of it.

12 **Mark Swartz:** Well, I think that that case was pretty much consistent with the Wyatt case. You
13 know, there wasn't much difference between those two deeds. I think the coal owner thought
14 there was, but...

15 **Paul Kugelman:** I don't want to presume upon the Board's time. But, we can discuss it later, if
16 you'd like. But I appreciate you explaining what a split agreement is. Thank you, sir.

17 **Mark Swartz:** And all of these disbursements that we're talking about today will be the result of
18 a split agreement, which is a contract or Harrison Wyatt tends to use a CBM deed, but it's a
19 written agreement.

20 **Paul Kugelman:** Thank you.

21 **Mark Swartz:** That's all I have.

22 **Bradley Lambert:** Any questions from the Board? [No response] Anything further, Mr.
23 Swartz?

24 **Mark Swartz:** No.

25 **Bradley Lambert:** Do I have a motion?

26 **Donnie Rife:** Motion made, Mr. Chairman.

27 **Bill Harris:** Second.

28 **Bradley Lambert:** I have a motion and a second. Any further discussion? [No response] All
29 in favor signify by saying yes.

30 **Board:** Yes.

1 **Bradley Lambert:** Opposed, no. [No response] Thank you, Mr. Swartz. It is approved.

2 **Mark Swartz:** Thank you.

3 **Item Number 14**

4 **Bradley Lambert:** We're calling Docket Item Number 14. A petition from CNX Gas
5 Company, LLC, for the disbursement of escrowed funds heretofore deposited with the Board's
6 Escrow Agent attributable to Tract 13 as depicted upon the annexed Table 1; and authorization to
7 begin paying royalties directly to the parties to the royalty split agreement(s) between Torch Oil
8 and Gas Company and Mary Lou Webb, Harman Webb, Carole Cole Owenby, Barbara Cole
9 Maxwell, and Eleanor Sue Hagy. Docket Number VGOB-02-0319-1008-02. All parties wishing
10 to testify please come forward.

11 **Mark Swartz:** Mark Swartz and Anita Duty.

12 **Bradley Lambert:** You may proceed, Mr. Swartz.

13 **Mark Swartz:** Thank you. Anita, would you state your name for us again?

14 **Anita Duty:** Anita Duty.

15 **Mark Swartz:** Who do you work for?

16 **Anita Duty:** CNX Land, LLC.

17 **Mark Swartz:** What's your title?

18 **Anita Duty:** Pooling Supervisor.

19 **Mark Swartz:** And, as a Pooling Supervisor, are part of your responsibilities to file Petitions for
20 disbursements before the Board?

21 **Anita Duty:** Yes.

22 **Mark Swartz:** Okay. This petition, did you either prepare it yourself or supervise its
23 preparation?

24 **Anita Duty:** Yes.

25 **Mark Swartz:** Okay. And what drilling unit does it pertain to?

26 **Anita Duty:** VP2SGU1

27 **Mark Swartz:** And is it a partial disbursement?

28 **Anita Duty:** It is.

1 **Mark Swartz:** And it pertains to what tract?

2 **Anita Duty:** Tract 13.

3 **Mark Swartz:** And with regard to that, what is the reason or the basis for your request here?

4 **Anita Duty:** A royalty agreement.

5 **Mark Swartz:** And have you actually reviewed that?

6 **Anita Duty:** Yes.

7 **Mark Swartz:** Okay. And it was in writing and it was signed by the parties that are going to be
8 receiving the disbursements here?

9 **Anita Duty:** Yes.

10 **Mark Swartz:** Okay. Did you prepare a Disbursement Table for the Escrow Agent?

11 **Anita Duty:** We did.

12 **Mark Swartz:** Okay. And, with reference to that, have you listed on that Table....well, first of
13 all, is it called Table 1?

14 **Anita Duty:** Yes.

15 **Mark Swartz:** And it says that it pertains to a portion of Tract 13?

16 **Anita Duty:** Yes.

17 **Mark Swartz:** And have you listed on that Exhibit the names of the people that you propose to
18 receive the disbursements and the percentages that the Escrow Agent should use in making those
19 disbursements?

20 **Anita Duty:** Yes.

21 **Mark Swartz:** Okay. And who are the people and what are the percentages?

22 **Anita Duty:** Mary Lou Webb and Torch Oil and Gas should receive 0.094%. Harman Webb
23 and Torch Oil and Gas should receive 0.094%. Carol Owenby and Torch Oil and Gas should
24 each receive 0.0235%. Barbara Maxwell and Torch should each receive 0.0235%. Eleanor
25 Hagy and Torch should each receive 0.0366%.

26 **Mark Swartz:** And the percentage should be applied by the Escrow Agent at the time the
27 disbursement is made?

28 **Anita Duty:** Yes.

1 **Mark Swartz:** And are you requesting that, if this request is approved, that you be allowed to
2 pay these people directly in the future?

3 **Anita Duty:** Yes.

4 **Mark Swartz:** Okay. Lastly, probably at the end of your petition, I believe there should be an
5 Exhibit J. Is that right?

6 **Anita Duty:** Yes.

7 **Mark Swartz:** And did you undertake to compare all of the deposits of royalty that the operator
8 sent to the various Escrow Agents to the Escrow Agent records to determine whether or not they
9 had received and accounted for them?

10 **Anita Duty:** Yes.

11 **Mark Swartz:** And when you made that comparison, what did you learn?

12 **Anita Duty:** They were all posted.

13 **Mark Swartz:** Okay. And, at the end of the schedule that you prepared, what is the date that it
14 was made as of?

15 **Anita Duty:** April 30, 2014.

16 **Mark Swartz:** Okay. And you showed the total deposited, the disbursement, interest and fees
17 and then you give the account balance and you're within, apparently, \$343. Is that right?

18 **Anita Duty:** Yes.

19 **Mark Swartz:** Okay. I believe that's all I have, Mr. Chairman.

20 **Bradley Lambert:** Ms. Duty, that \$343.75....that's in addition to what your accounting figures
21 shows. That could be attributable to interest and other fees from the bank?

22 **Anita Duty:** Yes.

23 **Bradley Lambert:** But, you're showing a positive. Is what I'm asking, I guess. The \$343 is a
24 positive number, isn't it?

25 **Anita Duty:** No, it's a negative. But, all the deposits were accounted for. It has to do with the
26 interest and fees.

27 **Mark Swartz:** The prior unit that we talked about. That was a negative number and that meant
28 that the bank had more on deposit than we would have expected based on our deposits and this
29 means they have \$300 less and that would be because they have paid out fees that we can't really
30 account for. Those are their fees.

1 **Bradley Lambert:** Okay.

2 **Anita Duty:** All we know is that the check that we sent was posted to the account. We can
3 compare those two numbers.

4 **Mark Swartz:** But the reason there's always a variance is because.... I imagine they account to
5 you all for their fees and interest. We don't receive that accounting.

6 **Bradley Lambert:** We see those. We haven't seen one in a couple of quarters, but hopefully
7 we'll have one next quarter. But, you're right. They do show those fees to us.

8 **Mark Swartz:** That's the reason that.... If they're ever in agreement, it's a miracle. They
9 shouldn't be, frankly because, you know, after years of interest and fees, who knows?

10 **Bradley Lambert:** Ms. Duty, can I go back to Table 1 just a second? I hate to ask you to read
11 those names again and the percentages, but could you do that one more time because I think
12 there might.... I'm not sure but I thought I didn't hear everything you said. It didn't sound like
13 that matched with our Table 1 that we have. So, would you mind going through those names
14 again?

15 **Anita Duty:** Mary Lou Webb and Torch Oil and Gas should each receive 0.094%. Harman
16 Webb and Torch Oil and Gas should each receive 0.094%. Carol Owenby and Torch Oil and
17 Gas should each receive 0.0235%. Barbara Maxwell and Torch should each receive 0.0235%.
18 Eleanor Hagy and Torch should each receive 0.0366%.

19 **Bradley Lambert:** I think that's where we're not hearing what you're saying. Is Item Number 1
20 on your Table for Tract 13 just shows us Mary Lou Webb and not Torch Oil and Gas and then,
21 also down at the bottom for that Item 9, Eleanor Sue Hagy.... It doesn't show Torch Oil and Gas
22 as you read it on our Exhibit.

23 **Rick Cooper:** I believe the way it's showing up is she's reading Line 1 and Torch would be Line
24 2. She's combining that.

25 **Mark Swartz:** I really need to look at what you have because I actually have the lines for that,
26 so let's just compare what electronic stuff looks like.

27 **Bradley Lambert:** Okay. Let's compare computers, Mr. Swartz.

28 **Anita Duty:** It depends maybe on what time it was downloaded. I'm not sure.

29 **Paul Kugelman:** It's like Rick said, I think. It's the same document, it looks like. It's just a
30 reading issue. I think it's an understanding issue.

31 **Mark Swartz:** Help me out, then, because I'm not following you.

1 **Bradley Lambert:** For Item 1, Ms. Duty started out by saying "Mary Lou Webb, Torch Oil and
2 Gas."

3 **Mark Swartz:** She's doubling.

4 **Paul Kugelman:** She's reading 1 and 2 at the same time.

5 **Mark Swartz:** They have the same chart, but what we're struggling with, apparently is....

6 **Bradley Lambert:** Or what I'm struggling with.... I think they've got it.

7 **Mark Swartz:** I'm not going to assume anything.

8 **Anita Duty:** For every individual owner, the coal owner is going to receive the same amount, so
9 I put it together. Maybe, if you don't want me to do that....

10 **Bradley Lambert:** That's fine. I just wanted to understand that Item 1 goes with Item 2.

11 **Anita Duty:** Oh, yes. I'm sorry.

12 **Mark Swartz:** She was essentially....

13 **Anita Duty:** That e-forms thing, you can fix that. Tell Rick to fix it.

14 **Mark Swartz:** Just to make sure the record is clear though.

15 **Bradley Lambert:** You tell us that every time.

16 **Anita Duty:** I know. I'm trying to get it to work really good.

17 **Rick Cooper:** I agree with Ms. Duty. That is a great thing about the e-forms. Thank you for
18 pointing that out.

19 **Anita Duty:** If it could just be 1 and then you could have 2 for the next group.

20 **Bradley Lambert:** Okay. I think I understand it now. Thank you. Any other questions from
21 the Board?

22 **Mary Quillen:** That was a 50/50 split, right?

23 **Anita Duty:** Yes.

24 **Bradley Lambert:** Anything further, Mr. Swartz?

25 **Mark Swartz:** No.

26 **Bradley Lambert:** Do I have a motion?

27 **Donnie Rife:** Motion made, Mr. Chairman.

1 **Bradley Lambert:** I have a motion. Do I have a second?

2 **Bill Harris:** Second.

3 **Bradley Lambert:** All in favor signify by saying yes. This is a motion to approve, by the way.
4 All in favor signify by saying yes.

5 **Board:** Yes.

6 **Bradley Lambert:** Opposed, no. [No response] Thank you, Mr. Swartz. That one is approved.
7 And, ladies and gentlemen, at this time I think we're going to take about a ten minute break.
8 We'll be back at 10:25.

9 **Item Number 16**

10 **Bradley Lambert:** Ladies and gentlemen, please take your seats. It's time to get started back
11 with our hearing. At this time, we're calling Docket Item Number 16. A petition from CNX Gas
12 Company, LLC, for the disbursement of escrowed funds deposited with the Board's Escrow
13 Agent attributable to Tracts 2C and 2D as depicted upon the annexed Table 1 and authorization
14 to begin paying royalties directly to the parties to the royalty split agreement between Coal Creek
15 Coal Company and Betty Lou Garrison Stump, Wanda Gay Smith, Donald Eugene Jackson,
16 Grace Elizabeth Hibdon, Lester George Beaver and Noel Albert Beaver. Docket Number
17 VGOB-09-0317-2489-01. If you'll notice, ladies and gentlemen of the Board, we skipped 15.
18 We're going to move that down to after Docket Item Number 21, at the request of Mr. Swartz.
19 Mr. Swartz, you may proceed.

20 **Mark Swartz:** Thank you. Anita, would you state your name for us, again?

21 **Anita Duty:** Anita Duty.

22 **Mark Swartz:** Who do you work for?

23 **Anita Duty:** CNX Land, LLC.

24 **Mark Swartz:** What's your title?

25 **Anita Duty:** Pooling Supervisor.

26 **Mark Swartz:** And, amongst your duties as Pooling Supervisor, is one of the responsibilities
27 you have is preparing and organizing disbursement requests?

28 **Anita Duty:** Yes.

29 **Mark Swartz:** And this disbursement request pertains to what unit?

30 **Anita Duty:** AW134.

1 **Mark Swartz:** And is it a partial disbursement or a complete disbursement?

2 **Anita Duty:** Partial.

3 **Mark Swartz:** And what tract does it involve? Or tracts?

4 **Anita Duty:** A portion of 2C and a portion of 2D.

5 **Mark Swartz:** And the reason you're making this request is what?

6 **Anita Duty:** Royalty agreement.

7 **Mark Swartz:** Okay. And is it a written agreement?

8 **Anita Duty:** Yes.

9 **Mark Swartz:** Have you reviewed it?

10 **Anita Duty:** Yes.

11 **Mark Swartz:** And is it a 50/50 agreement?

12 **Anita Duty:** Yes.

13 **Mark Swartz:** Have you prepared a Table for the escrow agent to use in making the requested
14 disbursements?

15 **Anita Duty:** Yes.

16 **Mark Swartz:** And have you broken that Table into essentially two pieces: one for Tract 2C
17 and one for Tract 2D?

18 **Anita Duty:** Yes.

19 **Mark Swartz:** Could you list for us the folks that will be receiving the disbursements and then,
20 after you have identified them by name, tell us what percentage the escrow agent should use to
21 make the disbursement?

22 **Anita Duty:** You want me to do them separate? Or can I put them together?

23 **Bradley Lambert:** You can put them together. Now, that I have an idea of what's going on.

24 **Anita Duty:** Okay. Betty Stump and Coal Creek Coal Company should each receive 0.0223%.
25 Wanda Smith and Coal Creek should each receive 0.0335%. Donald Jackson and Coal Creek
26 should each receive 0.0168%. Grace Hibdon and Coal Creek should each receive 0.0168%.
27 Lester Beaver and Coal Creek should each receive 0.0168%. Noel Beaver, Sr. and Coal Creek
28 should each receive 0.0168%. For Tract 2D, Betty Stump and Coal Creek should each receive

1 0.4624%. Wanda Smith and Coal Creek should each receive 0.6936%. Donald Jackson and
2 Coal Creek should each receive 0.3468%. Grace Hibdon and Coal Creek should each receive
3 0.3468%. Lester Beaver and Coal Creek should each receive 0.3468%. Noel Beaver, Sr., and
4 Coal Creek should each receive 0.3468%.

5 **Mark Swartz:** And with regard to this unit, you've identified the wells that have been paying
6 into escrow, right?

7 **Anita Duty:** Yes.

8 **Mark Swartz:** And those Wells are?

9 **Anita Duty:** AW134 and AW134A.

10 **Mark Swartz:** And, with regard to the people you have just identified, if this application is
11 approved, are you also requesting that the operator be allowed to pay these folks directly?

12 **Anita Duty:** Yes.

13 **Mark Swartz:** Did you make a comparison of royalty checks to deposits booked by the various
14 escrow agents?

15 **Anita Duty:** I did.

16 **Mark Swartz:** And is that Exhibit J?

17 **Anita Duty:** Yes.

18 **Mark Swartz:** Okay. And is that at the end?

19 **Anita Duty:** Yes.

20 **Mark Swartz:** Okay. What was the date through which Exhibit J was calculated?

21 **Anita Duty:** April 30, 2014.

22 **Mark Swartz:** Okay. And were you able to account for, and by "account for" I mean were you
23 able to find a deposit for every royalty check that was paid?

24 **Anita Duty:** We did.

25 **Mark Swartz:** Okay. And when you compared the deposits and the balance on hand, what did
26 you learn?

27 **Anita Duty:** That they were all posted.

28 **Mark Swartz:** Okay. What was the difference between?

1 **Anita Duty:** There was a \$46.10 difference.

2 **Mark Swartz:** And, because it's a negative that shows the bank actually had \$46.10 more than
3 you did.

4 **Anita Duty:** More than we did.

5 **Mark Swartz:** Okay. Are you requesting that, when the escrow agent makes the disbursements,
6 if the application is approved, that the escrow agent apply the percentages that you have supplied
7 to the balance on hand at the time the disbursement is made?

8 **Anita Duty:** Yes.

9 **Mark Swartz:** That's all I have, Mr. Chairman.

10 **Bradley Lambert:** Questions from the Board? [No response] Anything further, Mr. Swartz?

11 **Mark Swartz:** No.

12 **Bradley Lambert:** Do I have a motion?

13 **Donnie Rife:** Motion made, Mr. Chairman.

14 **Bill Harris:** I'll second that.

15 **Bradley Lambert:** I have a motion and a second. Any further discussion?

16 **Bill Harris:** That's a motion for approval?

17 **Bradley Lambert:** Yes. All in favor signify by saying yes.

18 **Board:** Yes.

19 **Bradley Lambert:** Opposed, no. [No response] Thank you, Mr. Swartz. Approved.

20 **Item Number 17**

21 **Bradley Lambert:** We are calling Docket Item Number 17. A petition from CNX Gas
22 Company, LLC, for pooling. This would be Docket Number VGOB-14-0715-4050. All parties
23 wishing to testify please come forward.

24 **Mark Swartz:** Mark Swartz and Anita Duty.

25 **Bradley Lambert:** You may proceed, Mr. Swartz.

26 **Mark Swartz:** Anita, this is a pooling application, correct?

1 **Anita Duty:** Yes.

2 **Mark Swartz:** Okay. And, in that regard, let me ask you a few additional questions. Who is
3 the.... You need to state your name again. Sorry.

4 **Anita Duty:** Anita Duty.

5 **Mark Swartz:** And your title?

6 **Anita Duty:** Pooling Supervisor.

7 **Mark Swartz:** And who do you work for?

8 **Anita Duty:** CNX Land, LLC.

9 **Mark Swartz:** And you actually signed, I think, the application and the notice of hearing with
10 regard to this matter?

11 **Anita Duty:** Yes.

12 **Mark Swartz:** And did you supervise the preparation of the petition notice and various
13 exhibits?

14 **Anita Duty:** I did.

15 **Mark Swartz:** Okay. This has a Docket Number of 2014, correct?

16 **Anita Duty:** Yes.

17 **Mark Swartz:** And was this acreage actually subject to another Docket Number?

18 **Anita Duty:** Yes.

19 **Mark Swartz:** And would you sort of give the Board the history here?

20 **Anita Duty:** We originally pooled Well D32 under Docket Number 12-0515-3060. At the time,
21 we had an agreement with EQT and GeoMet, a farm-out agreement to where we could drill that
22 well. Or, at the time, no.....

23 **Mark Swartz:** Let me interrupt you. Some of you may recall that there was a dispute between
24 GeoMet and CNX. And it was resolved by a settlement.

25 **Anita Duty:** Yes.

26 **Mark Swartz:** And then we drilled wells pursuant to that settlement agreement and it was a
27 farm-out from EQT, GeoMet and the settlement involving the three parties, right?

28 **Anita Duty:** Yes.

1 **Mark Swartz:** So, the first time this was pooled, would it be fair to say that it was pursuant to
2 the settlement? That well?

3 **Anita Duty:** I was wrong.

4 **Mark Swartz:** Okay. You were wrong.

5 **Anita Duty:** By the time we needed to pool that well that agreement had expired. That expired
6 in August 2012.

7 **Mark Swartz:** Okay.

8 **Anita Duty:** The GeoMet farm-out.

9 **Mark Swartz:** Okay. So, what happened then at that point with the first pooling?

10 **Anita Duty:** At that point, we had to go back to the original lessee, which was EQT and ask
11 them if we could work out a deal since the GeoMet farm-out had expired. Since they were the
12 original lessor, if they would farm us out that lease and let us do it that way.

13 **Mark Swartz:** So, you entered into a new farm-out agreement?

14 **Anita Duty:** A supplemental agreement that allowed us to drill that first well. And since that
15 time, they....well, at the time they gave us the okay to do the first well. They said that in no
16 means does that allow you to drill a second one. If you want to drill a second well, you have to
17 come to us and ask us for that second well.

18 **Bradley Lambert:** EQT?

19 **Anita Duty:** EQT. There were several discussions with them. We were never able to get them
20 to let us drill that second well, so it was decided internally that we would just force pool the
21 second well. So, we have a new Docket Number. We are force-pooling the second well and
22 we're actually, instead of having a lease for LBR Holdings, like we did originally, we have to
23 pool LBR Holdings. I'm awful at explaining.

24 **Mark Swartz:** That's good, but we needed to explain why we would have two Docket
25 Numbers. We felt it would be incredibly confusing to actually have one Docket Number because
26 the procedure is completely different. Correct?

27 **Anita Duty:** Right. Originally, the first time we didn't pool LBR and this time we are. Two
28 separate Docket Numbers.

29 **Bradley Lambert:** Because you had an agreement the first time. Now you don't, so you're
30 having to pool.

31 **Anita Duty:** Yes. Two separate VGOB numbers.

1 **Bradley Lambert:** Sure.

2 **Mark Swartz:** And the people that you have identified as respondents, and we're going to come
3 back to those in a moment, but the people that you have identified as respondents here, as parties
4 to be pooled, were not identified as respondents originally because they were subject to a lease,
5 correct?

6 **Anita Duty:** LBR Holdings would have been the only one that changed.

7 **Mark Swartz:** Okay. So, now going back to this pooling application with that little bit of
8 history. We have an existing well under a different order and we are seeking to drill a second
9 well under this application.

10 **Anita Duty:** Correct.

11 **Mark Swartz:** Okay. What did you do to tell people that we were going to have a hearing
12 today?

13 **Anita Duty:** We mailed by certified mail, return receipt requested, on June 13, 2014, published
14 the notice and location map in the Bluefield Daily Telegraph on June 18, 2014.

15 **Mark Swartz:** And have you filed your certificates with regard to mailing and your proof of
16 publication with the DGO before today?

17 **Anita Duty:** We did.

18 **Mark Swartz:** Okay. And do you want to add any people as respondents today?

19 **Anita Duty:** No.

20 **Mark Swartz:** Do you want to dismiss any people?

21 **Anita Duty:** No.

22 **Mark Swartz:** Okay. Who is the applicant?

23 **Anita Duty:** CNX Gas.

24 **Mark Swartz:** And who is the proposed operator?

25 **Anita Duty:** CNX Gas.

26 **Mark Swartz:** Is CNX Gas a Virginia Limited Liability Company?

27 **Anita Duty:** It is.

28 **Mark Swartz:** Is it authorized to do business in the Commonwealth?

1 **Anita Duty:** Yes.

2 **Mark Swartz:** Is it registered with the DMME?

3 **Anita Duty:** Yes.

4 **Mark Swartz:** Does it have a blanket bond on file?

5 **Anita Duty:** Yes.

6 **Mark Swartz:** Okay. What interest has the applicant acquired in this unit and what is it seeking
7 to pool with regard to this well?

8 **Anita Duty:** We have acquired 56.5875% of the coal, oil and gas owners claim to CBM,
9 seeking to pool 43.4125% of the coal, oil and gas owners claim to CBM.

10 **Mark Swartz:** Okay. And, with regard to the respondents, Rogers and the cousins....the Rogers
11 and the Poulos families and LBR Holdings, there has been a lawsuit between them to resolve
12 ownership issues, right?

13 **Anita Duty:** Yes.

14 **Mark Swartz:** And I'm just going to bring this to your attention, so you know this. There was
15 an order entered in a case in Buchanan County, Case Number 550-13, where the Circuit Court
16 granted Summary Judgment in favor of the cousins and held that they owned the CBM. Okay?
17 So we had a title conflict which, at least by this court order, which was entered in July of this
18 year, was resolved. There was a petition to appeal filed by LBR Holding, who lost the case in
19 July and there was a subsequent order by the Circuit Court that allowed LBR Holdings to post a
20 \$3,000 bond and allowed money to continue to remain in escrow, pending the appeal and
21 allowed further funds to be paid into escrow, pending the appeal and it was that order....it was
22 entered July 30, 2014, and it provided, in part, that the July 10th order, determining title, shall be
23 suspended for the duration of the defendant's appeal of the final judgment of the court, in
24 particular, for the duration of the defendant's appeal, any proceedings by the plaintiffs in an
25 effort to obtain payment from the Virginia Gas and Oil Board, its escrow bank, the operator of
26 the involved wells or otherwise, are hereby stayed and both the plaintiffs and defendant shall
27 refrain from collecting on this judgment. So, we're going to be proposing escrow even though
28 we have a title adjudication, but they reached an agreement pending the outcome of their appeal.
29 Their petition for appeal.... I talked to the lawyers yesterday and their petition for appeal is to be
30 filed sometime in October, so the Supreme Court should let them know relatively quickly, but
31 that....we're proceeding to pool this, but I think that we're going to have an outcome here fairly
32 quickly and I just wanted you to know that we were aware of this when we were here today.

33 **Bradley Lambert:** Okay. So, the outcome of that case could have a bearing on how
34 disbursements are handled in the future.

1 **Mark Swartz:** Right. There might be, frankly, a pretty quick exit from escrow, but it's up to
2 them. They've reached an agreement to at least keep it in limbo for the moment and we're just
3 sharing that with you.

4 **Bradley Lambert:** Okay.

5 **Mary Quillen:** Mr. Swartz, I have just one question. Backing way, way up here. In order to go
6 ahead with this second well, has there ever been an agreement with EQT to allow this? Because
7 they had declined your...

8 **Mark Swartz:** Well, they got notice of the hearing today. You'll notice that they're listed.

9 **Mary Quillen:** Yeah, so...and there's no one?

10 **Mark Swartz:** We don't have....we wouldn't be here probably. Well, we might be here because
11 we would have to pool...the LBR and....

12 **Mary Quillen:** Okay.

13 **Mark Swartz:** But, we do not have an agreement with EQT.

14 **Bruce Prather:** Don't they have to sign off on your permit?

15 **Mark Swartz:** Well, they're going to get notice of that.

16 **Bruce Prather:** Where the placement of the well is located?

17 **Mark Swartz:** They're a lessee, but we have to give them notice, which is why we...

18 **Mary Quillen:** So, the fact that EQT didn't show up to object today, then you are proceeding
19 with that as....

20 **Mark Swartz:** We've given them their due process notice that, if they have a problem with this,
21 they needed to show up.

22 **Mary Quillen:** Right. And so you're proceeding with your....okay.

23 **Mark Swartz:** And, occasionally, you know they show up and they complain, but they're not
24 here.

25 **Mary Quillen:** So, this outcome of the appeal is what is going to be based on if there's going to
26 be changes in the way that...the escrowing?

27 **Mark Swartz:** The appeal...EQT is not a party to that case. It was between, if you look at the
28 people that are listed as respondents here....

29 **Mary Quillen:** I've lost my connection and I can't look at it. That's the reason I'm asking you.

1 **Mark Swartz:** Okay. The case is between the Poulos and the Rogers individuals and LBR
2 Holdings, LLC. The case is between them, with regard to who owns this 25% that's always been
3 in dispute between that...

4 **Mary Quillen:** So, it's the escrow for that group right there. Okay. Just wanted to clarify that.

5 **Mark Swartz:** That's okay.

6 **Mary Quillen:** Okay. Thanks.

7 **Bruce Prather:** Mr. Chairman, would it be easier to wait until the adjudication of their trials
8 and stuff before we do this or would there be any advantage?

9 **Mark Swartz:** I don't think it matters. I mean it's...we're going to write the same amount of
10 checks...you're going...they're going to get the same amount of money...They'll just have...

11 **Bruce Prather:** If it changed, then I would say we might want to wait until that point.

12 **Mark Swartz:** No, in the 25% that's in litigation between them that has always been an issue....
13 I'm glad they're resolving it, I guess.

14 **Mary Quillen:** At least, you've gotten one step closer.

15 **Mark Swartz:** Right.

16 **Mary Quillen:** Okay.

17 **Mark Swartz:** This is an Oakwood unit, I think?

18 **Anita Duty:** Yes.

19 **Mark Swartz:** And how many acres? And the two wells, the one well that was already drilled
20 is...that's in the window, I believe.

21 **Anita Duty:** Yes.

22 **Mark Swartz:** And the well that we're dealing with today, the proposed well today is also in the
23 window, I think.

24 **Anita Duty:** Yes.

25 **Mark Swartz:** Okay. So, we don't need exceptions for wells outside of the window. Have you
26 provided a well cost estimate for the well D32A?

27 **Anita Duty:** Yes.

28 **Mark Swartz:** And the amount of that estimate is what?

1 **Anita Duty:** \$216,924.

2 **Mark Swartz:** And that would be....and the folks that you're pooling today would have the
3 opportunity to participate in that well?

4 **Anita Duty:** Yes.

5 **Mark Swartz:** Okay. To the extent they're not leased. Correct?

6 **Anita Duty:** Yes.

7 **Mark Swartz:** Okay. Do you want to amend the location issue? I guess D32 was a little south
8 of the...

9 **Anita Duty:** It is south of the window, but we should....

10 **Mark Swartz:** Correct and D32A, the well we're talking about today, is definitely well within
11 the window?

12 **Anita Duty:** The window. Yes.

13 **Mark Swartz:** Okay. D32A is not drilled. Correct?

14 **Anita Duty:** There is some construction, but it is not...

15 **Mark Swartz:** It's not...Okay. And there is obviously...we sort of talked about that...but just to
16 confirm, there is an escrow requirement here?

17 **Anita Duty:** There is.

18 **Mark Swartz:** And involving what tract or tracts?

19 **Anita Duty:** Tracts 3 and 4.

20 **Mark Swartz:** Okay. And that's the 25% interest that's in conflict between LBR and the
21 cousins.

22 **Anita Duty:** Yes.

23 **Mark Swartz:** Okay. That's been addressed by the lawsuit we've talked about.

24 **Anita Duty:** Yes.

25 **Mark Swartz:** Okay. And pending the outcome of the appeal, that it will remain in escrow.

26 **Anita Duty:** Yes.

1 **Mark Swartz:** To the extent that we deal with deemed to have been leased issues, if any, what
2 are your customary lease offerings in this area?

3 **Anita Duty:** It's \$5 per acre per year with a five-year paid up term and a one-eighth royalty.

4 **Mark Swartz:** And would you recommend those terms to the Board for persons or parties who
5 might be deemed to have been leased?

6 **Anita Duty:** Yes.

7 **Mark Swartz:** Okay. This is a frack well that you've proposed?

8 **Anita Duty:** Yes.

9 **Mark Swartz:** Okay. And to the extent anyone participates, they would use their percentage,
10 their interest as reflected in the exhibits and apply that to the cost estimate.

11 **Anita Duty:** Yes.

12 **Mark Swartz:** Is it your opinion that, if the Board enters a pooling order, pooling the response
13 that you've identified, and you combine that with the lease agreements and other agreements you
14 have entered into, the operator has entered into, that under that circumstance or those
15 circumstances the correlative rights of all owners and claimants to the CBM would be protected?

16 **Anita Duty:** Yes.

17 **Mark Swartz:** And is it your opinion that drilling a second frack well with this one, well within
18 the drilling window is a reasonable way to continue to develop the CBM resource within this
19 unit?

20 **Anita Duty:** Yes.

21 **Mark Swartz:** Are there any split agreements that we have on Exhibit EE?

22 **Anita Duty:** No.

23 **Mark Swartz:** But we do have an Exhibit E with regard to escrow?

24 **Anita Duty:** Yes.

25 **Mark Swartz:** I believe that's all I have, Mr. Chairman.

26 **Bradley Lambert:** Any questions from the Board? Mr. Swartz, given the explanation of LBR
27 Holdings and Rogers and the pending case, could you explain a little bit under Exhibit E where
28 the red line, only one quarter of LBR Holdings [inaudible] should be escrowed due to CBM
29 conflict [inaudible]...

1 **Anita Duty:** LBR owns 100% of the coal and only three-fourths of the oil and gas and the other
2 fourth belongs to those...the Poulos and the Rogers.

3 **Bradley Lambert:** That's the same as Tract 4 as it is on Tract 3?

4 **Anita Duty:** Yes. The Rogers and the Poulos only own a total of the fourth interest. That's why
5 we put out from the LBR Holdings interest the one-fourth because they're actually being paid for
6 the three-fourths. There's no conflict in that.

7 **Bradley Lambert:** That's the question....there's only a conflict on the one-fourth of it, not the
8 rest of it.

9 **Anita Duty:** Not the entire tract, yes.

10 **Bradley Lambert:** Okay. Any other questions from the Board? [No response] Anything
11 further Mr. Swartz?

12 **Mark Swartz:** No.

13 **Bradley Lambert:** Do I have a motion to approve?

14 **Donnie Rife:** Motion made, Mr. Chairman.

15 **Bill Harris:** Second.

16 **Bradley Lambert:** I have a motion and a second. Any further discussion? [No response] All
17 in favor signify by saying yes.

18 **Board:** Yes.

19 **Bradley Lambert:** Opposed, no. [No response] That's approved.

20 **Item Number 18**

21 **Bradley Lambert:** We're calling Docket Item Number 18. A petition from CNX Gas
22 Company, LLC, for pooling. This is Docket Number VGOB-14-0715-4051. All parties wishing
23 to testify please come forward.

24 **Mark Swartz:** Mark Swartz and Anita Duty.

25 **Bradley Lambert:** You may proceed.

26 **Mark Swartz:** Thank you. If I could, I'd like to incorporate Anita's testimony with regard to the
27 applicant and operator, her employment and the lease terms.

28 **Bradley Lambert:** Accepted.

1 **Mark Swartz:** Thank you. Anita, would you state your name for us again?

2 **Anita Duty:** Anita Duty.

3 **Mark Swartz:** And this is a pooling application?

4 **Anita Duty:** Yes.

5 **Mark Swartz:** And it concerns which unit?

6 **Anita Duty:** N-2

7 **Mark Swartz:** And what kind of a unit is that, in Oakwood or something else?

8 **Anita Duty:** Oakwood.

9 **Mark Swartz:** Is it 80 acres?

10 **Anita Duty:** Yes.

11 **Mark Swartz:** How many wells are we talking about in this pooling application?

12 **Anita Duty:** One.

13 **Mark Swartz:** And, with regard to the location of that well in or out of the drilling window,
14 where is it?

15 **Anita Duty:** Within.

16 **Mark Swartz:** Okay. And does that well already have a permit?

17 **Anita Duty:** Yes. 9206.

18 **Mark Swartz:** What did you do to notify people that we would be having a hearing with regard
19 to this unit today?

20 **Anita Duty:** Mailed by certified mail, return receipt requested on June 13, 2014. Published the
21 notice and location map in the *Bluefield Daily Telegraph* on June 18, 2014.

22 **Mark Swartz:** You filed the certificates with regard to mailing and the proof of publication
23 with the DGO?

24 **Anita Duty:** Yes.

25 **Mark Swartz:** And you did that before today?

26 **Anita Duty:** Yes.

27 **Mark Swartz:** Okay. Do you want to add any people as respondents?

1 **Anita Duty:** No.

2 **Mark Swartz:** And I assume you don't want to dismiss either of the respondents.

3 **Anita Duty:** No.

4 **Mark Swartz:** Okay. What interest have you acquired in this unit, has the applicant acquired
5 and what interest are you seeking to pool?

6 **Anita Duty:** We've acquired 87.0125% of the coal, oil and gas owners claim to CBM, seeking
7 to pool 12.9875% of the coal, oil and gas owners claim to CBM.

8 **Mark Swartz:** I think there is not an escrow requirement here.

9 **Anita Duty:** No.

10 **Mark Swartz:** So, the people you're pooling are actually going to receive money directly?

11 **Anita Duty:** Yes.

12 **Mark Swartz:** Okay. Have you provided a well cost estimate?

13 **Anita Duty:** Yes, it's \$205,500.

14 **Mark Swartz:** And that's included as an exhibit?

15 **Anita Duty:** Yes.

16 **Mark Swartz:** And it's for a frack well.

17 **Anita Duty:** Yes.

18 **Mark Swartz:** And, if the Board pools this unit and we combine a pooling order with the
19 agreements that you've entered into to obtain the rights to slightly over 87% of the interest in the
20 unit, would it be your testimony that the correlative rights of all owners and claimants would be
21 protected by the combination of a pooling order and the agreements you've already made?

22 **Anita Duty:** Yes.

23 **Mark Swartz:** And, lastly, is it your opinion that drilling a frack well in this drilling window of
24 this unit is a reasonable way to develop the coalbed methane resource within and under this unit?

25 **Anita Duty:** Yes.

26 **Mark Swartz:** That's all I have, Mr. Chairman.

27 **Bradley Lambert:** Any questions from the Board?

1 **Bill Harris:** Mr. Chairman.

2 **Bradley Lambert:** Mr. Harris.

3 **Bill Harris:** Let me just ask about...I see a lot of unknown surface owners....[inaudible]

4 **Anita Duty:** If we're disturbing the surface, we don't get title for those surface owners.

5 **Bill Harris:** Okay.

6 **Anita Duty:** But, wherever there's a well, you do always identify, or any disturbance, you
7 always identify the surface owner.

8 **Bill Harris:** Okay. [Inaudible]

9 **Mark Swartz:** If you look at...the well is on Tract 1A, for example, and you'll see that we have
10 identified it is possible we can get over onto 1B, as well. We've identified those people, but
11 other than that, if we're not going to disturb the surface, we don't go there.

12 **Rick Cooper:** I have one question. What did you say the permit number was on that?

13 **Mark Swartz:** I think she said it was 9206.

14 **Rick Cooper:** Did you say it was not producing?

15 **Anita Duty:** I didn't say that. I don't know if he asked me.

16 **Bradley Lambert:** Ms. Duty, you testified that you don't notify the surface owner if you're not
17 going to disturb.... It looks like there's a road going into that well, if I'm not mistaken, through
18 Tract 2A. If I go over and look at the surface owner's Tract 2A....

19 **Anita Duty:** That's a state road.

20 **Bradley Lambert:** That's a state road?

21 **Anita Duty:** Yes. That's....

22 **Bradley Lambert:** Right to the well?

23 **Anita Duty:** Are you talking about down here, to the southwest or the north?

24 **Bradley Lambert:** Down to the southwest. That's looks like... is that a road going right to the...

25 **Mark Swartz:** It's 1B.

26 **Anita Duty:** We're going to 1B and 1A. 1A and 1B. We've identified those surface owners.

27 **Bradley Lambert:** No, to the 1B. I'm sorry. 1B.

1 **Mark Swartz:** 2A stops at that....okay. That's all right.

2 **Bradley Lambert:** Any other questions from the Board? [No response] Anything further, Mr.

3 Swartz?

4 **Mark Swartz:** No.

5 **Bradley Lambert:** Do I have a motion to approve?

6 **Donnie Rife:** Motion made, Mr. Chairman.

7 **Bill Harris:** Second.

8 **Bradley Lambert:** I have a motion and I have a second. Any further discussion? [No

9 response] All in favor signify by saying yes.

10 **Board:** Yes.

11 **Bradley Lambert:** Opposed, no. [No response] Thank you, Mr. Swartz.

12 **Item Number 19**

13 **Bradley Lambert:** We're calling Docket Item Number 19. A petition from CNX Gas

14 Company, LLC, for pooling. This is Docket Number VGOB-14-0715-4053. All parties wishing

15 to testify please come forward.

16 **Mark Swartz:** Mark Swartz and Anita Duty.

17 **Bradley Lambert:** You may proceed.

18 **Mark Swartz:** Anita, would you state your name for us please?

19 **Anita Duty:** Anita Duty.

20 **Mark Swartz:** Mr. Chairman, I would like to incorporate her prior testimony with regard to

21 lease terms, her employment and the operator and applicant.

22 **Bradley Lambert:** Accepted.

23 **Mark Swartz:** Thank you. This is also a pooling application?

24 **Anita Duty:** It is.

25 **Mark Swartz:** For what unit?

26 **Anita Duty:** AB78.

1 **Mark Swartz:** And what field is that unit in?

2 **Anita Duty:** Nora.

3 **Mark Swartz:** And how many acres?

4 **Anita Duty:** 48.63.

5 **Mark Swartz:** And how many wells are proposed here?

6 **Anita Duty:** One.

7 **Mark Swartz:** And where is that well in relation to the drilling window?

8 **Anita Duty:** I don't think that's on here. Just on the edge.

9 **Mark Swartz:** Just in. Okay. And how did you notify people that we would be having a
10 hearing today?

11 **Anita Duty:** Mailed by certified mail, return receipt requested on June 13, 2014. Published the
12 notice and location map in the *Bluefield Daily Telegraph* on June 18, 2014.

13 **Mark Swartz:** And have you provided copies of your certificates of mailing and the newspaper
14 certificate of publication to the DGO before today?

15 **Anita Duty:** Yes.

16 **Mark Swartz:** Do you want to dismiss any of the respondents you named in the notice of
17 hearing and application?

18 **Anita Duty:** No.

19 **Mark Swartz:** Do you want to add any?

20 **Anita Duty:** No.

21 **Mark Swartz:** Okay. Have you provided the well cost estimate with regard to this well?

22 **Anita Duty:** Yes. \$392,008.

23 **Mark Swartz:** And, is it a frack well?

24 **Anita Duty:** Yes.

25 **Mark Swartz:** Does it have a permit number?

26 **Anita Duty:** 12638.

27 **Mark Swartz:** Is there an escrow requirement here?

1 **Anita Duty:** Yes.

2 **Mark Swartz:** In what tracts?

3 **Anita Duty:** Tracts 2A, 2B, 2C, 2D and 2E.

4 **Mark Swartz:** Is it a traditional conflict escrow situation or do we also have some title issues?

5 **Anita Duty:** We also have an unknown in 2C.

6 **Mark Swartz:** Okay. So, that would be an additional reason for escrow, with regard to tract
7 2C?

8 **Anita Duty:** Yes.

9 **Mark Swartz:** Okay. Have you provided the Board with an Exhibit E?

10 **Anita Duty:** Yes.

11 **Mark Swartz:** Are there any split agreements that would require an Exhibit EE?

12 **Anita Duty:** No.

13 **Mark Swartz:** If you....I don't think I asked you. What amount do you have leased or have you
14 acquired?

15 **Anita Duty:** We have 60.2303% of the coal owner's claim to CBM, 78.3702% of the oil and
16 gas owner's claim to CBM, seeking to pool 39.7697% of the coal owner's claim to CBM and
17 21.6298% of the oil and gas owner's claim to CBM.

18 **Mark Swartz:** And is it your opinion that, if you combine the pooling order, pooling the
19 outstanding interest with the agreements that the operator has obtained from the other claimants
20 and owners, that the correlative rights of everyone in this unit would be protected [Inaudible] the
21 CBM production?

22 **Anita Duty:** Yes.

23 **Mark Swartz:** And is it your opinion that drilling one frack well in the location shown on the
24 plat map here is a reasonable development plan for this unit?

25 **Anita Duty:** Yes.

26 **Mark Swartz:** That's all I have, Mr. Chairman.

27 **Bradley Lambert:** Questions from the Board?

1 **Bill Harris:** Let me ask a question about the plats A and B. I notice that the [inaudible]
2 significantly more than what we usually see going [inaudible] 2,300 feet. I'm looking at 392.
3 \$392,000. That just seems. That's usually...[inaudible] \$100/foot. I notice this is a whole lot
4 more and I can't seem to find where that difference would be. Do you have any reason, or do
5 you know why this might be so much more expensive?

6 **Mark Swartz:** The location is hideously expensive. It's over \$100,000.

7 **Bill Harris:** Well, I saw that. And, so that in fact entails the preparation or the fees, the
8 purchase.... I know you're saying the location is expensive, but what does that translate? When
9 you say, "location?"

10 **Anita Duty:** I didn't prepare the AFE, but I mean, just looking at where that well is located....
11 It's outside of our normal project area. We're getting more over into like the....more of where
12 Range and EQT are. So, maybe we're just not as developed in that area. I don't really know the
13 answer to that.

14 **Bill Harris:** I'm not sure what's listed under "building location." I see that's \$102,000.

15 **Anita Duty:** It depends on the terrain and everything. I don't know the answer to that.

16 **Bradley Lambert:** We usually have a lady that can testify about AFE. I also noticed in your
17 report, going back to your response to Mr. Harris, that when you do the well location exception
18 and said it called for a smaller unit, already existing and steep topography. I don't know if that
19 was part of it, or...

20 **Anita Duty:** That well location...that is not where the well ended up being drilled because if you
21 look on it...

22 **Bradley Lambert:** This well's already drilled?

23 **Anita Duty:** Yes. If you look on the plat that we have and the location that...those locations
24 aren't the same. So, that location exception should not have been filed with this.

25 **Mary Quillen:** Are there other wells located in that area?

26 **Anita Duty:** Wait a minute. Let me make sure what I told you...let me make sure. I may be
27 wrong. So, it is outside the window. The conventional well was inside the window. I was
28 confusing the two wells. I'm sorry.

29 **Bradley Lambert:** Okay.

30 **Anita Duty:** And the location exception is necessary.

31 **Bradley Lambert:** That would mean we don't have correct plats. Is that true?

1 **Anita Duty:** You do. That was me. I was looking at the CB...

2 **Bradley Lambert:** But the well you're showing me is inside the window.

3 **Mark Swartz:** It's the conventional well. She mis-read it. You'll see it's got a "CV" next to it.

4 **Anita Duty:** On the location exception, it was originally submitted as a "FH," which would
5 have been...but, it's a "CV." Is this what you're....

6 **Rick Cooper:** So, what it says here is you have a conventional well AB-CV inside the unit.
7 Down in the southwest corner is the coalbed methane well that they're pooling today.

8 **Bradley Lambert:** I've got that.

9 **Anita Duty:** I was looking at this, thinking this was just the....the name here, this "SH," it
10 eventually renamed "CV." It's a conventional...went to shale. Originally, they were going to call
11 it by "shale," but they changed it to "CV."

12 **Bill Harris:** So, the one we're considering now though is the one in red?

13 **Bradley Lambert:** You probably want to clear that up for the Board and put it on record. We
14 need that. You need to go over that explanation again, Ms. Duty, and get us on the record.

15 **Mark Swartz:** Let's start with the plat that was filed first, not the location exception, but the
16 plat. There are two wells shown on that plat. Correct?

17 **Anita Duty:** Yes.

18 **Mark Swartz:** Are they two different kinds of wells?

19 **Anita Duty:** Yes.

20 **Mark Swartz:** Okay. What kinds are they and which is which?

21 **Anita Duty:** AB78CV is a conventional big well and AB78 is a CBM well.

22 **Mark Swartz:** And that AB78, the CBM well, is actually outside of the drilling window?

23 **Anita Duty:** It is.

24 **Mark Swartz:** And because this is a Nora unit it would require a location exception from the
25 Board as opposed to from Mr. DGO over there. Right? Because in Oakwood, the Director can
26 approve...in Oakwood...the location exception.

27 **Anita Duty:** He did do one through the permitting.

1 **Mark Swartz:** Oh, through the permit? Okay. So, you're good to go. Okay. So, you've got the
2 exception or you have applied for it?

3 **Anita Duty:** It was granted during the permitting process for AB78, CBM well.

4 **Rick Cooper:** You are correct.

5 **Mark Swartz:** Okay. And that well, just to repeat, AB78 well has a permit number?

6 **Anita Duty:** Yes.

7 **Mark Swartz:** And, that is?

8 **Anita Duty:** 12638.

9 **Mark Swartz:** Okay. And, with regard to the questions that Mr. Harris was asking about costs,
10 your explanation for why this well is significantly more expensive than some of the wells we see
11 is that the location, the building location number is also significantly larger than we often see. Is
12 there anything in the location exception letter that might suggest why, or at least a portion of the
13 expenses, have increased?

14 **Anita Duty:** Due to extremely steep topography. And also the unit size is listed. It's kind of
15 hard to get it in.

16 **Mark Swartz:** And, in terms of topography, the location exception map actually demonstrates
17 the topography issue.

18 **Anita Duty:** It does.

19 **Mark Swartz:** That's all I have, Mr. Chairman.

20 **Bradley Lambert:** Mr. Cooper, you stated that you've already granted the well location
21 exception.

22 **Rick Cooper:** That's correct. This well is drilled and has been fractured. It is not producing.
23 There's no pipeline run to it as we speak.

24 **Bradley Lambert:** Okay. Let me ask you this. Do you recall where the original location of
25 AB78 was?

26 **Rick Cooper:** I think this was, best that I can remember, this was the location that they sent in
27 with the original application.

28 **Bradley Lambert:** So, how did you approve a well location exception if this was the location,
29 the original...

1 **Rick Cooper:** I think the Board has granted me the authority to do location exceptions outside
2 the window, as long as they can justify the terms and conditions for that request.

3 **Bradley Lambert:** Okay. So, we don't know where the original location was?

4 **Rick Cooper:** Well, this was the original location they submitted and they submitted a location
5 exception at the same time.

6 **Bradley Lambert:** The well location that they're asking for is outside the window.

7 **Rick Cooper:** That's correct.

8 **Bradley Lambert:** Okay. Is that what you recall, Ms. Duty?

9 **Anita Duty:** Yes.

10 **Bradley Lambert:** The well location exception is just not to move it to....well, you did move it
11 according to the topo map to probably the most level spot in the area, according to the topo map.
12 So, okay. Mr. Cooper, you do recall granting the well location exception?

13 **Rick Cooper:** I do. Yes.

14 **Bradley Lambert:** For outside the drilling window?

15 **Rick Cooper:** Yes.

16 **Bradley Lambert:** And the letter to you was based upon steep topography and...

17 **Rick Cooper:** Correct. It's very rocky terrain, very steep terrain in that part of Buchanan
18 County. It's very rocky.

19 **Bradley Lambert:** Okay. Mr. Swartz, in the future, it might be a good idea to have someone
20 present who can testify to AFE if we have questions about the AFE, as Mr. Harris had. I know
21 Ms. Duty said she couldn't testify because she didn't prepare it so.

22 **Mark Swartz:** Well, we have and engineer or somebody in the permitting department to do that
23 and there are rarely questions that...

24 **Bill Harris:** Yeah, but...

25 **Mark Swartz:** We can have them here. That's not a problem.

26 **Mary Quillen:** Well, if there are other wells in that area where the similar challenging terrain is.
27 If there's something that you can compare it to, then that was....

28 **Mark Swartz:** Part of the problem, I'm guessing, but we don't know because we didn't prepare
29 this, but this is on the edge of our developed infrastructure. So, not only is the terrain bad. We

1 can tell that. The road costs. We may be coming a much longer distance than we would
2 normally come because we don't have infrastructure. The pipelines. As Mr. Cooper said, we're
3 not there yet, in terms of being able to produce, so in order to really break that out for you, Mr.
4 Prather, I can only suggest those as explanations.

5 **Mary Quillen:** But when you realize what the location looks like and what the terrain is like,
6 that sort of gives you a clue.

7 **Mark Swartz:** Right. But to give us a specific answer, which is what the Chairman's talking
8 about.... Somebody did a calculation or an estimated calculation to get to that \$100,000 number
9 and neither of us can reproduce that so, if you want us to make sure that we have someone
10 available to you from now on, we'll do that.

11 **Bradley Lambert:** I think on this one in particular, the information that Mr. Cooper provided
12 would probably be sufficient enough that we could accept that. In the future, if we would have
13 questions about that, if Ms. Duty can't answer because she didn't prepare the AFE, you might
14 want to have somebody here or we may continue it until the next hearing.

15 **Mark Swartz:** I think what we'll do.... Anita suggested this in a soft voice.... Maybe we'll look
16 at some of these locations and building location numbers and if they are the kind of number that's
17 going to provoke a question from you all, we'll make sure we have somebody here. If we see
18 some unusual number in our...

19 **Bruce Prather:** As long as you're not lumping things together, as long as that's just a location
20 fee, that's what your location costs are. Now, a lot of times the road is lumped in with the
21 location fee and, so, you've got one big number and that's not uncommon to be on an AFE for a
22 lot on a location that takes a lot of time and effort to build.

23 **Mary Quillen:** But, if we had just some idea of what was included in those...particularly in
24 those challenging areas.

25 **Mark Swartz:** I mean, we know what's in there. We just don't know how it breaks out so we
26 can't share that with you.

27 **Mary Quillen:** Right. Well, what's included within there.

28 **Mark Swartz:** Right.

29 **Bradley Lambert:** Anything further? Questions from the Board?

30 **Mark Swartz:** Just to cause one more small problem...

31 **Bradley Lambert:** Okay.

32 **Mark Swartz:** I love to do this to Mr. Cooper. This is an e-Form.

1 **Anita Duty:** The form for the AFE.

2 **Mark Swartz:** The form that lumps everything together. I just love to be able to tell you that.
3 So, we can have a witness here to talk to the computation that resulted in the number but if you
4 want more detail you have to talk to that fellow because we have to change the form.

5 **Bradley Lambert:** As I recall, there was a committee that worked on changing that form.

6 **Mark Swartz:** Neither Anita nor I were on that committee.

7 **Anita Duty:** No, we were left out.

8 **Mark Swartz:** We can deal with that. When we see a big number, we'll have somebody here if
9 a question comes up.

10 **Mary Quillen:** Good. I think that would solve the problem.

11 **Mark Swartz:** Right, or we'll have the back-up or something that we can throw around and give
12 you a specific answer.

13 **Bruce Prather:** Mr. Chairman.

14 **Bradley Lambert:** Mr. Prather.

15 **Bruce Prather:** Something I was thinking about, and we were talking about two or three items
16 back about Equitable's participation in some of these things in Nora field. Well, Range
17 Resources bought out Nora's interest in June and so I wonder, since Equitable isn't sitting at the
18 table, I wonder if Range Resources shouldn't be the party that would be at that table. Is there any
19 validity in that reasoning?

20 **Rick Cooper:** So, I can tell you as we speak today, there has been zero well transfers in
21 ownership at the Division of Gas and Oil.

22 **Bruce Prather:** I think there's been money changed hands so maybe they should be sitting at
23 the table.

24 **Rick Cooper:** I can say officially, though, as far as speaking for gas and oil there has been zero
25 transfers conducted. That transfer legally is the way we look at it has not yet happened as far as
26 gas and oil. There's been zero wells transferred as we speak.

27 **Bruce Prather:** Yeah. But maybe that's the reason Equitable's not represented on some of these
28 items we got.

29 **Bradley Lambert:** As far as permitting and any other activity that has taken place at DGO,
30 even though we know that that transaction has taken place, it's still....until we receive the
31 permits...transfer the permits...it's still EQT, same as always.

1 **Bruce Prather:** Okay.

2 **Bradley Lambert:** I've lost where we were. Mr. Swartz, anything further?

3 **Mark Swartz:** Just, with regard to the question Mr. Prather asked, Range is actually in Tract
4 2A...Range Pine Mountain so they...as a lessee....that would be regardless of any acquisition like
5 you're talking about. That's all I have, Mr. Chairman.

6 **Bradley Lambert:** Okay. Any other questions from the Board? [No response] You have
7 nothing further, Mr. Swartz. Do I have a motion to approve?

8 **Mary Quillen:** Motion to approve.

9 **Bruce Prather:** I'll second.

10 **Bradley Lambert:** I have a motion to approve and a second. Any further discussion? [No
11 response] All in favor signify by saying yes.

12 **Board:** Yes.

13 **Bradley Lambert:** Opposed, no. [No response] Thank you, Mr. Swartz. It's approved.

14 **Item Number 20**

15 **Bradley Lambert:** We are calling Docket Item Number 20. A petition from CNX Gas
16 Company, LLC, for re-pooling. This is Docket Number VGOB-02-0521-1029-04. All parties
17 wishing to testify please come forward.

18 **Mark Swartz:** Mark Swartz and Anita Duty.

19 **Bradley Lambert:** You may proceed, Mr. Swartz.

20 **Mark Swartz:** Anita, would you state your name for us again, please.

21 **Anita Duty:** Anita Duty.

22 **Mark Swartz:** Mr. Chairman, I'd like to incorporate her testimony with regard to the applicant
23 and operator, her employment and standard lease terms.

24 **Bradley Lambert:** Accepted.

25 **Mark Swartz:** Thank you. Anita, this is a re-pooling, correct?

26 **Anita Duty:** Yes.

27 **Mark Swartz:** And this is a re-pooling that affects just a few people in the unit, is that right?

1 **Anita Duty:** Yes.

2 **Mark Swartz:** Okay, and let's direct the Board to the plat map, just sort of give them a sense of
3 why we are here. If you all can find the well plat map and then look at sort of the southeast
4 corner, you'll see a Tract 2M down near the southern boundary and there's a hook from 2M up to
5 a little square. Then, in 2O there is also a piece of that little square with a hook. Is the reason
6 we're here today to re-pool this unit because that small tract, the 2M Tract, has changed its size
7 and moved?

8 **Anita Duty:** Yes.

9 **Mark Swartz:** Okay. So, the only people that we are re-pooling, or that we are affecting here
10 are in which tracts?

11 **Anita Duty:** Tracts 2A and 2O.

12 **Mark Swartz:** And, with regard to one of those tracts, do we have a lease?

13 **Anita Duty:** Yes, 2O.

14 **Mark Swartz:** Okay. And who is the individual that we have a lease from there?

15 **Anita Duty:** Robert Poole.

16 **Mark Swartz:** Okay. And so he would not have an election right because we have a lease for
17 him.

18 **Anita Duty:** Yes.

19 **Mark Swartz:** Okay. With regard to 2A, who does that involve?

20 **Anita Duty:** It's the Walter Boyd, et.al.

21 **Mark Swartz:** Okay. And we do not have a lease with them.

22 **Anita Duty:** No.

23 **Mark Swartz:** And their percentage from the original pooling has changed if this re-pooling is
24 approved because of this tract being readjusted.

25 **Anita Duty:** Yes.

26 **Mark Swartz:** And so they would definitely be entitled to election rights or another chance to
27 elect under a revised pooling order.

28 **Anita Duty:** Yes.

1 **Mark Swartz:** Okay. And have you revised the plat map and the tract ID maps to make them
2 consistent with the change that was required with regard to resizing this tract?

3 **Anita Duty:** Yes.

4 **Mark Swartz:** Okay. And did one of the previous tracts actually disappear in the adjustment?

5 **Anita Duty:** There was previously a tract 2U, but...

6 **Mark Swartz:** Okay. And that went into Mr. Cordill's tract?

7 **Anita Duty:** Right. It's a total acreage amount, rather than separate.

8 **Mark Swartz:** So, if the tract ID disappeared but it went into his Tract 2O.

9 **Anita Duty:** Yes.

10 **Mark Swartz:** Okay. Other than changing the plat to account for the new Tract 2M, which is
11 on the new plat and the tract ID's, did you find it necessary....well, and obviously we had to
12 adjust the ownership ID exhibits, but other than that, are you asking the Board to make any other
13 changes?

14 **Anita Duty:** No.

15 **Mark Swartz:** Okay. So, essentially, the original....all of the terms of the original pooling order
16 were going back to the original cost estimate and so forth, rather than moving that forward?

17 **Anita Duty:** Correct.

18 **Mark Swartz:** The only thing that would happen here we would make those adjustments to the
19 two tracts. To the one leased party, we would not have an election option. To the non-leased
20 parties who would have an election option and that's all we're requesting with regard to relief
21 today, correct?

22 **Anita Duty:** I think we're in additional EE3A.

23 **Mark Swartz:** Right, but I mean with regards to the original well...

24 **Anita Duty:** Correct.

25 **Mark Swartz:** Okay. And all the cost estimates and everything have stayed the same?

26 **Anita Duty:** Correct.

27 **Mark Swartz:** Okay. Now, with regard to the second well, let's look at.... Did you provide a
28 cost estimate for that well?

1 **Anita Duty:** Yes. \$391,318.29.

2 **Mark Swartz:** Okay. And everybody would get a participation opportunity with regard to that
3 new second well?

4 **Anita Duty:** Yes.

5 **Mark Swartz:** Okay. Let me find that cost estimate. And that was prepared in July 2012,
6 right?

7 **Anita Duty:** Yes.

8 **Mark Swartz:** And, that well....where are these two wells located in relation to the drilling
9 window?

10 **Anita Duty:** They're within the window.

11 **Mark Swartz:** The earlier well is where?

12 **Anita Duty:** Kind of to the southern end, in the center.

13 **Mark Swartz:** Okay.

14 **Anita Duty:** Three-fourths down...

15 **Mark Swartz:** The EE38 is almost in the middle of the drilling window.

16 **Anita Duty:** Almost.

17 **Mark Swartz:** Okay. And then the proposed new well is where?

18 **Anita Duty:** In the upper western corner.

19 **Mark Swartz:** Okay, so the northwest....kind of near the north boundary of the drilling window
20 over toward the west corner.

21 **Anita Duty:** Yes.

22 **Mark Swartz:** Okay. And that's the location of the second well.

23 **Anita Duty:** Yes.

24 **Mark Swartz:** Okay. Do both of these wells have permit numbers?

25 **Anita Duty:** They do.

26 **Mark Swartz:** And what are those numbers?

27 **Anita Duty:** E38 is 4901 and E38A is 8911.

1 **Mark Swartz:** What interest have you acquired in this unit and what are you seeking to pool?

2 **Anita Duty:** Acquired 100% of the coal owner's claim to CBM, 86.4974% of the oil and gas
3 owner's claim to CBM, seeking to pool 13.5026% of the oil and gas owner's claim to CBM.

4 **Mark Swartz:** And those are the numbers relevant to the second well.

5 **Anita Duty:** Yes.

6 **Mark Swartz:** As well as the first, right, in particular.

7 **Anita Duty:** Yes.

8 **Mark Swartz:** And, in constructing those numbers, you have provided a percentage
9 participation interest for all of the folks you are seeking to pool today?

10 **Anita Duty:** Yes.

11 **Mark Swartz:** And they can use that and apply that to the relevant well cost and calculate the
12 participation percentage?

13 **Anita Duty:** Yes.

14 **Mark Swartz:** Okay. Is it your opinion that, if you combine a Board order with the agreements
15 that the operator has already obtained with regard to the second well here and with regard to the
16 changes we are making on the first well that the ownership and claimant interests of all people
17 involved in this unit, or interested in this unit, would be protected?

18 **Anita Duty:** Yes.

19 **Mark Swartz:** Is the drilling of the second well, in your judgment, a reasonable development
20 plan to get further production out of this unit?

21 **Anita Duty:** Yes.

22 **Mark Swartz:** Do you want or did you identify the respondents in your notice, with regard to
23 this matter?

24 **Anita Duty:** Yes.

25 **Mark Swartz:** And do you want to add any people to that?

26 **Anita Duty:** No.

27 **Mark Swartz:** And do you want to subtract any people?

28 **Anita Duty:** No.

1 **Mark Swartz:** And what did you do to notify the folks you have identified that there would be a
2 hearing today?

3 **Anita Duty:** Mailed by certified mail, return receipt requested on August 15, 2014. Published a
4 notice and location map in the *Bluefield Daily Telegraph* on August 25, 2014.

5 **Mark Swartz:** And did you provide copies of those certificates and notices to the DGO before
6 today?

7 **Anita Duty:** Yes.

8 **Mark Swartz:** Okay. To recap that, with regard to the first well, we are essentially changing a
9 few of the ownership percentages as we have previously discussed and one group of owners, the
10 Boyds, would have an election option because they're not leased?

11 **Anita Duty:** Yes.

12 **Mark Swartz:** And, with regard to the second well, everyone who is not leased, would have an
13 election option.

14 **Anita Duty:** Correct.

15 **Mark Swartz:** Okay. That's all I have, Mr. Chairman.

16 **Bradley Lambert:** One question. Could you go back and explain why 2M was moved? What
17 happened that you had to move 2M?

18 **Mark Swartz:** Why don't you take this up there and show them?

19 **Bradley Lambert:** Was it...

20 **Anita Duty:** They actually had to go on site and look at the....

21 **Mark Swartz:** And talk loud enough when you're up there so it gets on the record. Okay.

22 **Bill Harris:** I think confusion we have is that it was moved and re-shaped. What was the
23 original?

24 **Mark Swartz:** Right. She's got both maps.

25 **Anita Duty:** The 2U was actually located, it actually crossed Tracts 2O and 2M. And it was
26 actually considered a separate piece of property. And I guess the landowners had called and
27 asked us to come out and talk to them and....because they didn't agree with our map. And when
28 we went out there, we actually realized that those, that that property was actually part of the
29 deeds that it over-layed. So, it wasn't actually a separate tract. It was part of the tract that it was
30 on, like a surface tract. So, no additional acreage there. It's just surface.

1 **Bradley Lambert:** Was it a surveying error?

2 **Anita Duty:** We don't survey, but we...

3 **Bradley Lambert:** Do you use county records?

4 **Anita Duty:** Yes.

5 **Bradley Lambert:** Is that how you identify those areas, is by county records?

6 **Anita Duty:** Yes. Anything that they can find in the courthouse or in deeds and things like that,
7 that's how they plot their property.

8 **Bradley Lambert:** I'm still confused on what you discovered that made you change that whole
9 unit and add people.

10 **Anita Duty:** Well, the reason that we initially looked at it is because we have a court order from
11 Buchanan County, through Shea Cook, that he wants us to file, a petition for the release of the
12 money for the Walter Boyd heirs. And when we started....any time we go back and we re-touch
13 a unit that we haven't touched in a while, our title group goes back through and our mapping
14 group and does....[inaudible]

15 **Bradley Lambert:** So, a title search?

16 **Anita Duty:** Not quite like that. Any time we re-touch a....[Inaudible] So if you look at the
17 total acreage It's still the same acreage.

18 **Bradley Lambert:** So, did you add new people?

19 **Anita Duty:** No.

20 **Bradley Lambert:** Same people.

21 **Anita Duty:** Same people. Just re-allocation

22 **Bradley Lambert:** Re-allocating the acreage.

23 **Paul Kugelman:** 2U on your old is designated green there and it's at the bottom right hand
24 corner, southwestern corner of that plat. What happened to that? It looks like that's where that
25 extended to.

26 **Anita Duty:** Well, 2U goes away.

27 **Paul Kugelman:** Okay.

28 **Anita Duty:** If you look at our original 2A there was 4.16 acres, and now there is...[inaudible]

1 **Paul Kugelman:** Okay, so 2U went into 2A or did they go into....

2 **Anita Duty:** It actually divided into both.

3 **Paul Kugelman:** Okay.

4 **Anita Duty:** Because it actually shifted south too, so...but the total acres that we are dealing
5 with for...[inaudible]. All we wanted with the shift of that tract is to change the way it is
6 allocated to...[inaudible]

7 **Paul Kugelman:** So, an intervening title search between the old and the new yielded the new
8 result?

9 **Anita Duty:** Correct. [Inaudible]

10 **Bill Harris:** Let me ask another question over here. I am not sure I understand all the hooks, but
11 2U is shown hear, and I presume that this whole tract is 2M. [inaudible] I am not sure I
12 understand what the hook means.

13 **Anita Duty:** The hook just means that...this is not an additional piece, this acreage is included
14 in.

15 **Bill Harris:** The 2M has an arrow there, so the 2M is all of this? [Inaudible]

16 **Anita Duty:** [Inaudible]

17 **Bruce Prather:** Is your original based on tax maps?

18 **Anita Duty:** [Inaudible]

19 **Bruce Prather:** You people have a history or have been doing it for a long time. Fixing up
20 these with your GPS maps units, you've been correcting an awful lot of these small pieces of
21 property. That's why I was asking you if that original was a tax map. Because that sure could
22 explain what the difference is.

23 **Anita Duty:** The original is not a GPS map.

24 **Mary Quillen:** We've seen a lot of those that you all have corrected with GPS.
25 [Inaudible conversation]

26 **Bradley Lambert:** Let me go back to that one more time, I just want to go over this real quick.
27 On your new you have the engineer's seal with the date. Is that correct?

28 **Anita Duty:** We do.

1 **Bradley Lambert:** On our exhibit that we have, I assume is now the new, there is not a date on
2 the engineer's seal. So...[inaudible]

3 **Mark Swartz:** Talking about the plat, Mr. Chairman. The seal on what's now Exhibit B, which
4 is the new, the demonstrative exhibit that we use to show you what the new....you know, how we
5 got to the new one. The PE that sealed that is a completely different person than the PE that
6 sealed what you've got when we filed because Anita was using an older map as her work map.

7 **Bradley Lambert:** I'd say we can accept those as replacement for...[inaudible]

8 **Mark Swartz:** I'm not sure we should do that. I think it's a demonstrative exhibit as to compare
9 where we are with the new plat that was filed with this application, which I think needs to stay
10 on the record. It is the official map that we filed.

11 **Bradley Lambert:** [Inaudible]

12 **Mark Swartz:** Right and it's correct. And A and B are work papers that are demonstrative
13 exhibits that show, that explain how we got to this new exhibit. What happened to the tract that
14 disappeared, U, and how the other tracts were rearranged to....we accounted for the acreage but
15 these are demonstrative exhibits. They are not the plat that we want in the record.

16 **Rick Cooper:** Can we help here just a little bit? Can we step in here?

17 **Bradley Lambert:** Absolutely.

18 **Sarah Gilmer:** The plat is actually dated, it's a digital date. It's not over in the date spot where
19 it normally is, but the date is there next to the seal on the very bottom line to the right of the seal.
20 It says "Date: 2014, August 12."

21 **Rick Cooper:** And this is a digital signature, on this one.

22 **Bradley Lambert:** Okay. All right. That's right. Thank you. Anything further?

23 **Mark Swartz:** We just needed to make sure we kept that map.

24 **Bradley Lambert:** Any other questions from the Board?

25 **Bill Harris:** If you could turn to the AFE, there's two different wells. The first one is Exhibit C.
26 I actually have just a couple of questions. Exhibit C is on page 29, I believe and then, 30....
27 These are two different AFE's?

28 **Mark Swartz:** Yes.

29 **Bill Harris:** And, the line items are different.

30 **Mark Swartz:** Yes.

1 **Bill Harris:** And they all differ. I know we've already dealt with the previous case, but they're
2 different than that. Is there not a standard AFE that we adopted?

3 **Mark Swartz:** These are nine years apart.

4 **Bill Harris:** So, they're nine years apart.

5 **Mark Swartz:** Right. The first one was in '03. We stayed with that because the people that get
6 to re-elect get that number and now we've got....I'm not sure we ever had a standard form until
7 we got to e-Forms.

8 **Bill Harris:** So, neither of these would fall under that in terms of having to comply with that
9 listing.

10 **Mark Swartz:** Because they pre-date it.

11 **Bill Harris:** Because they pre-date it. Okay. Well, I do have a question though about the
12 second AFE and it's the same question I had about the last one.

13 **Mark Swartz:** Okay.

14 **Bill Harris:** Again, we're looking at 2,300 feet total depth and an AFE completed total well
15 391,000. And, again, that just seems high considering what we've seen in the past for a well of
16 that depth. And I know that....

17 **Mary Quillen:** But it's relatively close to the previous one.

18 **Bill Harris:** The one from the previous case we looked at, right?

19 **Mary Quillen:** And they're in this same...

20 **Bill Harris:** Are they in the same...?

21 **Mary Quillen:** They're in the same area, right?

22 **Mark Swartz:** These two are in the same area.

23 **Bill Harris:** These two are, but are these two the same as when we did Item 19?

24 **Mary Quillen:** Oh, it's not.

25 **Anita Duty:** Totally different. They're in different locations.

26 **Mary Quillen:** Okay.

27 **Bill Harris:** Do you see my dilemma here. I mean, we see these month after month or every
28 other month after every other month. And then I see these very high figures and it just concerns

1 me as to what's driving these higher amounts. The completion cost is similar to what I would
2 have expected. Again, I'm not going on the ground actually making the measurements and
3 estimates. Do you understand my concern?

4 **Anita Duty:** We have a prior re-pooling application prior to this one. There was a re-pooling
5 application filed prior to this one, which included this cost from 2012.

6 **Bill Harris:** Yes. So, you're saying we've approved it already so...

7 **Anita Duty:** This was done earlier when we did the 02 and then the 03 was a disbursement and
8 04 is to change those two tracts. So, this one has been here to reallocate acres before this. The
9 reason it doesn't have a new cost that fits our standard today is because we filed this one back in
10 2012.

11 **Bill Harris:** Okay. But, you're saying that the amount then is grandfathered in, so to speak?

12 **Anita Duty:** The amount is what?

13 **Bill Harris:** Grandfathered in? I don't know whether the term....in other words, the Board has
14 already approved that AFE?

15 **Anita Duty:** It should have been approved at the 02 re-pooling hearing and we use those same
16 ones so everybody has the same election as everybody....

17 **Bill Harris:** I'm just concerned about costs.

18 **Anita Duty:** That's the only reason you didn't get a new one is because we used one that was...

19 **Bill Harris:** I'm not saying we needed a new one. I guess I am, in a sense, because when I try
20 and back through it I don't see the same line items as I've seen on some of the others. So, it's
21 kind of hard to discern where the additional costs are...is what my concern is. And I'm not sure
22 what to...

23 **Anita Duty:** And the only reason for that is because the original pooling and the re-pooling
24 prior to this pre-dated e-forms. That's the only reason you don't have that same standard form.

25 **Bill Harris:** But that wouldn't...okay. I'm seeing what you're saying, but what I'm saying is that
26 these just seem to be expensive, very high costs and I don't know what to do. I don't know how
27 to address that.

28 **Mary Quillen:** Well, they're going to have someone that can respond to that...come and clarify
29 that or give an explanation.

30 **Bruce Prather:** One thing you want to keep in mind and that is it's the economics of drilling
31 wells. In other words, if the prospect will justify that expenditure, then you drill it. If it won't
32 justify that expenditure, you don't drill it.

1 **Bill Harris:** Well, I'm just saying what justified the expenditure? I know what you're saying,
2 the economics...

3 **Bruce Prather:** The economics and the geology.

4 **Bill Harris:** Well, I guess what I'm asking is what creates that expenditure? Why is it so much
5 higher than other wells at about the same depth?

6 **Bruce Prather:** Probably you're on a cliff face and you're building a road up to follow the
7 mountain and half-way down the other side. I've been in these situations.

8 **Bill Harris:** I appreciate your insight. Thank you, folks.

9 **Mark Swartz:** Our current plan is to have Mr. Staton here. Mr. Fulmer is obviously no longer
10 with us, but when we come back we'll have him because he prepares them and he'll be able to tell
11 you how he calculated the number. Now, obviously here, we've got one that's a couple years old.
12 But, with regard to the other one, that was a recent one, the \$100,000 one and we will have him
13 available if we have those kinds of numbers and you can....

14 **Bill Harris:** When you see these all the time and they're....2,300 feet is \$260,000 and then it's
15 \$390,000 something, that raises....

16 **Mark Swartz:** That's not an unreasonable inquiry. We'll have him here.

17 **Bill Harris:** Thank you.

18 **Bradley Lambert:** Thank you, Mr. Harris. Any other questions from the Board? [No
19 response] So, that goes to show you why, Mr. Swartz, we probably ought to try to have
20 somebody here that can testify who is able to. Anything further, Mr. Swartz?

21 **Mark Swartz:** No.

22 **Bradley Lambert:** Do I have a motion to approve?

23 **Donnie Rife:** Motion made, Mr. Chairman.

24 **Bill Harris:** I'll second.

25 **Bradley Lambert:** I have a motion and I have a second. Any further discussion? [No
26 response] All in favor signify by saying yes.

27 **Board:** Yes.

28 **Bradley Lambert:** Opposed, no. [No response] Thank you, Mr. Swartz. That one is approved.

1 **Item Number 21**

2 **Bradley Lambert:** We're calling Docket Item Number 21. A petition from CNX Gas
3 Company, LLC, for Modification of the Oakwood Field Rules. This is Docket Number VGOB-
4 93-0216-0325-25. All parties wishing to testify please come forward.

5 **Mark Swartz:** Mark Swartz and Anita Duty.

6 **Bradley Lambert:** You may proceed, Mr. Swartz.

7 **Mark Swartz:** State your name for us, Anita.

8 **Anita Duty:** Anita Duty.

9 **Mark Swartz:** Who do you work for?

10 **Anita Duty:** CNX Land, LLC.

11 **Mark Swartz:** And this petition that we're concerned with at the moment is to allow for in-field
12 drilling in two units, H27 and H28, is that correct?

13 **Anita Duty:** Yes.

14 **Mark Swartz:** And that would require a modification of the Oakwood 1 Field Rules.

15 **Anita Duty:** It would.

16 **Mark Swartz:** Okay. And have you given the Board members a smaller version of this map
17 that they can have at their table?

18 **Anita Duty:** Yes.

19 **Mark Swartz:** And, if you could.... Anita, are these the two units that we're talking about right
20 here?

21 **Anita Duty:** Yes.

22 **Mark Swartz:** Okay. And is the reason that we have provided the Board with this map to give
23 them an indication of in-field areas that we have been to them before about for approval or to
24 allow us to drill additional wells?

25 **Anita Duty:** Yes.

26 **Mark Swartz:** Okay. And these wells that we're talking about today, the H27 and H28, are
27 essentially to fill a void between prior orders.

28 **Anita Duty:** It is. We just missed them.

1 **Mark Swartz:** For some reason or other, we missed those two.

2 **Anita Duty:** Yes, we did.

3 **Mark Swartz:** And the plan would be to, or the request is to allow us to drill a second well in
4 each of those two Oakwood units?

5 **Anita Duty:** Yes.

6 **Mark Swartz:** And would the reasoning be the same that there is sufficient coalbed methane in
7 this area to justify drilling a second well and also that the knowledge that drilling a second well
8 in these units tends to produce more gas because of something akin to a synergy between the first
9 well and the second well.

10 **Anita Duty:** Yes.

11 **Mark Swartz:** And the one wrinkle here, in addition to identifying these units by their
12 Oakwood grid numbers, there's also a requirement of the code or the rules that requires us to give
13 a description of the perimeter, correct?

14 **Anita Duty:** Yes.

15 **Mark Swartz:** And have you provided that?

16 **Anita Duty:** Yes, I have.

17 **Mark Swartz:** Okay, so in the application, we actually have a section....we say, "Plats: See
18 Exhibit A1," but then we also give a state plane coordinate description of the boundaries of both
19 of these units, as we're required to do.

20 **Anita Duty:** Yes.

21 **Mark Swartz:** Unless there are some questions from the Board with regard to adding these two
22 units, that's all we have, Mr. Chairman, at this point.

23 **Bradley Lambert:** For those... [Inaudible] are those projected mine works?

24 **Anita Duty:** That's existing.

25 **Bradley Lambert:** Existing? And do you know whether or not those works are projected to go
26 on more?

27 **Anita Duty:** They are not because that is an older mine.

28 **Bradley Lambert:** Do you know what coal seam?

29 **Rick Cooper:** Pocahontas No. 3, VP 4 Coal Mine.

1 **Bradley Lambert:** Thank you, Mr. Cooper. So, those were sealed, right?

2 **Rick Cooper:** That is correct. That mine is sealed. You are correct.

3 **Bradley Lambert:** Any other questions from the Board? [No response] Do you have anything
4 further, Mr. Swartz?

5 **Mark Swartz:** I do not.

6 **Martha Guilliams:** Mr. Chairman, we have a question on these.

7 **Bradley Lambert:** I'm sorry, Ms. Guilliams, we've done....if you want to come up and testify
8 and be sworn, we'll receive a comment from you. State your name for the record and be sworn,
9 please.

10 **Martha Guilliams:** Martha Guilliams.

11 **Sarah Gilmer:** Ms. Guilliams, do you swear or affirm that your testimony is the truth, the
12 whole truth and nothing but the truth?

13 **Martha Guilliams:** Yes.

14 **Bradley Lambert:** And, do you have a comment, Ms. Guilliams?

15 **Martha Guilliams:** Yes. I would like these re-poolings....what are the well numbers? They
16 just have the VGOB numbers. They don't actually have well numbers.

17 **Bradley Lambert:** This is not a re-pooling, Ms. Guilliams. This is just to obtain permission to
18 drill a second well within that unit.

19 **Martha Guilliams:** Okay, but you have to have wells in them.

20 **Bradley Lambert:** They may propose wells later, but we're not sure of that. This is just, again,
21 permission to add a second well.

22 **Martha Guilliams:** Shouldn't they still have a well number?

23 **Bruce Prather:** They will have.

24 **Bradley Lambert:** They will at some point, if they decide to seek a permit for them.

25 **Martha Guilliams:** There should be some way that we know exactly what area this is in, just so
26 you know.

27 **Bradley Lambert:** That will come later, Ms. Guilliams. This is, again, this is only permission
28 to drill a second well within the unit. When they decide to drill the second well, they will have

1 to come apply to DGO for a well permit and then, under the circumstances maybe they will have
2 to come before the Board.

3 **Donnie Rife:** They won't get a number until after they drill the well.

4 **Rick Cooper:** So, to help you, Ms. Guilliams, the well probably would be H27 or H27A. That's
5 what they would name this well, historically.

6 **Martha Guilliams:** Okay. Well, thank you for the time.

7 **Bradley Lambert:** Mr. Swartz, do you have anything further?

8 **Mark Swartz:** No.

9 **Bradley Lambert:** Any further questions from the Board? [No response] Do I have a motion
10 to approve the in-field unit for H27 and H28?

11 **Mary Quillen:** Motion to approve.

12 **Bruce Prather:** Second.

13 **Bradley Lambert:** I have a motion and a second. Any further discussion? [No response] All
14 in favor signify by saying yes.

15 **Board:** Yes.

16 **Bradley Lambert:** Ms. Duty, could you submit this as an Exhibit, please? And call it Exhibit A.

17 **Anita Duty:** Yes.

18 **Bradley Lambert:** Thank you.

19 **Item Number 15**

20 **Bradley Lambert:** Okay, now we're going to go back to Docket Item Number 15. This is a
21 petition from CNX Gas Company, LLC, for refund of escrow payments heretofore deposited
22 with the Board's Escrow Agent; Reimburse the overpayment of funds deposited with the Board's
23 Escrow Agent attributable to unit VP8SGU3 to CNX Gas Company and the disbursement of
24 escrowed funds heretofore deposited with the Board's Escrow Agent attributable to Tracts 8A,
25 8C, 9A, 14E and 14F as depicted upon the annexed Table 1. This is Docket Number VGOB-06-
26 0321-1598-03. All parties wishing to testify please come forward.

27 **Mark Swartz:** Mark Swartz. Anita and I had hoped....we've got a calculation issue with regard
28 to the refund amount and we had hoped that we could resolve that so we could do the math with
29 you to get to a number today, but we are unable to do that. Just to give you a bit of a history
30 here, this has been a troubled unit. Mr. Sheffield was in this unit and I think some of you may

1 remember we were over here a lot, couldn't get an order. Mr. Asbury required a large check to
2 be made when we were telling him the acreage was wrong and we made that deposit and we've
3 had a nightmare with this unit. In any event, when we sat down today to do the calculation to
4 withdraw the refund amount to get the number right so we could make the disbursement and
5 apply the percentages, Anita and I cannot make that come about today. We tried and we can't. I
6 understand because we don't want to delay this because we're close. I understand from Mr.
7 Cooper that we're going to have an October hearing, which from our standpoint is good because
8 we would like to be back here in October and be done with this. We're confident we can do that,
9 but we cannot defend the number today. We want to make sure that it's right.

10 **Bradley Lambert:** Okay. This Docket Item will be continued until October. Thank you, Mr.
11 Swartz.

12 **Mark Swartz:** Thank you.

13 **Bradley Lambert:** Ladies and gentlemen, I think we're going to....the consensus of the Board is
14 probably we need to take lunch. One hour.

15 **Item Number 22**

16 **Bradley Lambert:** Ladies and gentlemen, if you will please take your seats, it's time for us to
17 begin our proceedings. We're going to try to get things in an hour here. We've got another
18 appointment, so we'll get started. We're calling Item Number 22. A petition from Range
19 Resources-Pine Mountain, for a petition for pooling of Well V-530395. Docket Number VGOB-
20 14-0715-4054. All parties wishing to testify please come forward.

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

22 **Sarah Gilmer:** Do you swear or affirm that your testimony is the truth, the whole truth and
23 nothing but the truth?

24 **Phil Horn:** I do.

25 **Gus Janson:** I do.

26 **Bradley Lambert:** You may proceed, Mr. Scott.

27 **Tim Scott:** Thank you, Mr. Chairman. Mr. Horn, please state your name, by whom you are
28 employed and your job description.

29 **Phil Horn:** My name is Phil Horn. I'm Land Manager for Range Resources-Pine Mountain,
30 Inc., and one of my job descriptions is to get wells permitted and drilled.

31 **Tim Scott:** You are familiar with this application? Is that correct?

1 **Phil Horn:** That's correct.

2 **Tim Scott:** And how many acres does this unit contain?

3 **Phil Horn:** 112.69.

4 **Tim Scott:** And Range does have oil and gas lease hold interest in this unit. Is that correct?

5 **Phil Horn:** That is correct.

6 **Tim Scott:** Now, we're going to dismiss some respondents, are we not? Can you tell the Board
7 how we got from the first Exhibit B to the revised Exhibit B?

8 **Phil Horn:** Yes. Tract 5 was originally owned by Emily Powers, Thelma Jean Bowmer and
9 Jack Tibbles and that was a mistake. They had thought they had sold that property to Nancy
10 Palmer, so they went ahead after we applied for the hearing. They went ahead and deeded this
11 property to Nancy Palmer. We notified Nancy Palmer and then she also signed an oil and gas
12 lease. So, there would be Donald Palmer, Nancy Palmer and the three I just mentioned will be
13 dismissed.

14 **Tim Scott:** Okay. Thank you. Have you attempted to reach an agreement with the other parties
15 responding on Exhibit B?

16 **Phil Horn:** Yes, we have.

17 **Tim Scott:** As a result of your leasing efforts, what percentage of the unit does Range have
18 under lease presently?

19 **Phil Horn:** 84.76125%.

20 **Tim Scott:** Okay. And that's reflected on the new exhibit. Is that correct?

21 **Phil Horn:** That's correct.

22 **Tim Scott:** Okay. We've notified the parties listed on Exhibit B of this hearing. How was that
23 done?

24 **Phil Horn:** By certified mail and also publication in *The Dickenson Star* on June 25, 2014.

25 **Tim Scott:** We don't have any unknowns in this unit. Is that right?

26 **Phil Horn:** That's correct.

27 **Tim Scott:** And, have you filed the proof of publication, mail certification with the Board?

28 **Phil Horn:** Yes, you have.

1 **Tim Scott:** Okay. Now, Range is authorized to conduct business in the Commonwealth. Is that
2 right?

3 **Phil Horn:** That's correct.

4 **Tim Scott:** Blanket bond on file?

5 **Phil Horn:** That's correct.

6 **Tim Scott:** And, in the event you are able to reach an agreement with the other parties listed on
7 Exhibit B3, what terms would you offer?

8 **Phil Horn:** \$25 per acre for a five year paid-up lease that provides one-eighth royalty.

9 **Tim Scott:** Do you consider that to be a reasonable amount for a lease in this area?

10 **Phil Horn:** Yes, I do.

11 **Tim Scott:** And what's the percentage of the oil and gas that Range is seeking to pool today?

12 **Phil Horn:** 15.23875%.

13 **Tim Scott:** And I believe, based on what's reflected in the Exhibit B and B3, we do have an
14 escrow requirement. Is that right?

15 **Phil Horn:** Yes, there is still a conflict between EQT and ACIN, which is a former VICC
16 property. What is actually being held by a lease that expired a couple years ago, so Tracts 2, 3
17 and 10 total 9.9%.

18 **Tim Scott:** Okay. And, so you're asking the Board to pool the parties that are on lease on
19 Exhibit B3. Is that right?

20 **Phil Horn:** That is correct.

21 **Tim Scott:** And also that Range be named the operator for this unit?

22 **Phil Horn:** That's correct.

23 **Tim Scott:** Now, if the Board approves our application today and an order is entered, what
24 would be the address that would be used for elections made under any order?

25 **Phil Horn:** Range Resources-Pine Mountain, Inc., P.O. Box 2136, Abingdon, VA 24212.

26 **Tim Scott:** Okay. Is that the address for all communication on this particular unit?

27 **Phil Horn:** Yes.

28 **Tim Scott:** Okay. That's all I have for Mr. Horn.

1 **Bradley Lambert:** Questions from the Board? [No response] You may continue, Mr. Scott.

2 **Tim Scott:** Thank you, Mr. Chairman. Mr. Janson, your name, by whom you are employed and
3 your job description please.

4 **Gus Janson:** My name is Gus Janson, I'm employed by Range Resources-Pine Mountain, Inc.,
5 and the Manager of Geology.

6 **Tim Scott:** And you participated in the preparation of this application. Is that correct?

7 **Gus Janson:** That is correct.

8 **Tim Scott:** Are you familiar with the proposed depth of this well?

9 **Gus Janson:** Yes. Proposed depth is 4,832 feet.

10 **Tim Scott:** And what are the estimated reserves for this unit?

11 **Gus Janson:** 525 million cubic feet of gas.

12 **Tim Scott:** I believe you signed the AFE that was included as Exhibit C with the application. Is
13 that right?

14 **Gus Janson:** That is correct.

15 **Tim Scott:** So, you are familiar with the proposed well cost?

16 **Gus Janson:** Yes.

17 **Tim Scott:** What's the estimated dry hole cost?

18 **Gus Janson:** The estimated dry hole cost is \$240,860.

19 **Tim Scott:** And the estimated completed well cost?

20 **Gus Janson:** \$509,503.

21 **Tim Scott:** Now, in looking at the AFE, there is a line item for supervision. Is that right?

22 **Gus Janson:** That is correct.

23 **Tim Scott:** And you consider that charge to be reasonable?

24 **Gus Janson:** Yes.

25 **Tim Scott:** Okay. In your opinion, if this application is granted, would prevent waste, promote
26 conservation and protect correlative rights.

27 **Gus Janson:** Yes it would.

1 **Tim Scott:** That's all I have for Mr. Janson.
2 **Bradley Lambert:** Questions from the Board? [No response] Anything further, Mr. Scott.
3 **Tim Scott:** That's all I have, Mr. Chairman.
4 **Bradley Lambert:** Do I have a motion?
5 **Mary Quillen:** Motion to approve.
6 **Bruce Prather:** Second.
7 **Bradley Lambert:** I have a motion to approve and a second. Any further discussion? [No
8 response] All in favor signify by saying yes.
9 **Board:** Yes.
10 **Bradley Lambert:** Opposed, no. [No response] Thank you, Mr. Scott. It's approved.
11 **Tim Scott:** Thank you, Mr. Chairman.

12 **Item Number 23**

13 **Bradley Lambert:** We're calling Docket Item Number 23. A petition from Range Resources-
14 Pine Mountain, for a petition for pooling of Well Number V-530399. Docket Number VGOB-
15 14-0714-4055. All parties wishing to testify please come forward.
16 **Tim Scott:** Tim Scott, Gus Janson and Phil Horn for Range Resources-Pine Mountain, Inc.
17 **Bradley Lambert:** You may proceed, Mr. Scott.
18 **Tim Scott:** Thank you, Mr. Chairman. Mr. Horn, again, your name, by whom you are
19 employed and job description.
20 **Phil Horn:** My name is Phil Horn. I'm Land Manager for Range Resources-Pine Mountain, Inc.
21 **Tim Scott:** And in this particular unit, how many acres does it contain?
22 **Phil Horn:** It's also 112.69.
23 **Tim Scott:** And Range has oil and gas lease hold interest in this unit. Is that right?
24 **Phil Horn:** That is correct.
25 **Tim Scott:** Are we going to dismiss any respondents today, listed on B3?
26 **Phil Horn:** No, we're not.

1 **Tim Scott:** And have you attempted to reach an agreement with those parties responding?

2 **Phil Horn:** Yes we have.

3 **Tim Scott:** What is the percentage that Range has under lease for this unit?

4 **Phil Horn:** 68.15%.

5 **Tim Scott:** And we notified the parties listed on Exhibit B of this hearing. Is that right?

6 **Phil Horn:** That's right.

7 **Tim Scott:** How was that done?

8 **Phil Horn:** Certified Mail and also publication in the *Coalfield Progress* on June 20, 2014.

9 **Tim Scott:** Do we have any unknown owners in this unit?

10 **Phil Horn:** No we do not.

11 **Tim Scott:** And we have, in advance of the hearing, filed our proof of publication, mail
12 certification. Is that correct?

13 **Phil Horn:** That is correct.

14 **Tim Scott:** And, again, Range is authorized to conduct business in the Commonwealth.

15 **Phil Horn:** That is correct.

16 **Tim Scott:** There's a blanket bond on file.

17 **Phil Horn:** That's right.

18 **Tim Scott:** And, if you were to reach an agreement with the parties listed on Exhibit B3, what
19 lease terms would you offer those parties?

20 **Phil Horn:** \$25 per acre for a 5-year paid-up lease that provides one-eighth royalty.

21 **Tim Scott:** Do you consider these terms to be reasonable for this area?

22 **Phil Horn:** Yes, I do.

23 **Tim Scott:** And what percentage of the oil and gas estate is Range seeking to pool today?

24 **Phil Horn:** 31.85%.

25 **Tim Scott:** And I believe we have...this unit also has an escrow requirement. Is that right?

26 **Phil Horn:** That's correct. Same conflict between ACIN and EQT, Tract 4, .59%.

1 **Tim Scott:** Okay. You're requesting the Board to pool the unleased parties listed on Exhibit
2 E3?

3 **Phil Horn:** Yes, we are.

4 **Tim Scott:** And that Range be named the operator of this unit.

5 **Phil Horn:** Correct.

6 **Tim Scott:** And if the Board grants our application today and an order is provided to the parties
7 responding, listed on Exhibit B3, what would be the address for any elections that would be
8 made pursuant to the provision of the order?

9 **Phil Horn:** Range Resources-Pine Mountain, Inc., P.O. Box 2136, Abingdon, VA 24210.

10 **Tim Scott:** And that's the address for all communications. Is that right?

11 **Phil Horn:** That's correct.

12 **Tim Scott:** That's all I have for Mr. Horn.

13 **Bradley Lambert:** Questions from the Board?

14 **Bruce Prather:** I have a question.

15 **Bradley Lambert:** Mr. Prather.

16 **Bruce Prather:** I notice on our sheet here we have the Gladeville district in Dickenson County.
17 I think this well is in Wise, isn't it? Isn't Gladeville District in Wise?

18 **Gus Janson:** Yes. The application, does it say "Dickenson?"

19 **Donnie Rife:** It does say "Dickenson."

20 **Tim Scott:** The notice that went out in the paper actually showed Wise County. That was on
21 my part.

22 **Mary Quillen:** So it should be Wise County?

23 **Tim Scott:** Correct. My application says, "Wise County."

24 **Bradley Lambert:** Mine says, "Dickenson." Mr. Kugelman.

25 **Paul Kugelman:** The well is actually located in Wise County and the publication and the
26 notices that went out for this application today noticed Wise County and so the notice in the
27 paper was correct. So, there would have been proper notice of this application pending before

1 the Board. So, I would submit to the Chairman that's an administrative error that can be fixed
2 today.

3 **Tim Scott:** I don't know how that happened.

4 **Donnie Rife:** Just when you think nobody's paying attention.

5 **Tim Scott:** I know. Appreciate it.

6 **Mary Quillen:** I'm from Wise County, so I know.

7 **Bradley Lambert:** Okay, so, you'll submit the corrected notice for the Board records.

8 **Tim Scott:** Yes, sir. We will.

9 **Bradley Lambert:** Okay. Any other questions from the Board? [No response] You may
10 continue, Mr. Scott.

11 **Tim Scott:** Thank you, Mr. Chairman. Mr. Janson, your name, by whom you are employed and
12 your job description please.

13 **Gus Janson:** My name is Gus Janson, employed by Range Resources, as the Manager of
14 Geology.

15 **Tim Scott:** And, again you participated in the preparation of this application. Is that right?

16 **Gus Janson:** That is correct.

17 **Tim Scott:** And are you familiar with the proposed depth of this well?

18 **Gus Janson:** Yes.

19 **Tim Scott:** And what would that be?

20 **Gus Janson:** The proposed depth is 5,388 feet.

21 **Tim Scott:** Are you also familiar with the estimated reserves of this unit?

22 **Gus Janson:** Yes. The estimated reserves are 525 million cubic feet of gas.

23 **Tim Scott:** I believe your signature is on the AFE. Is that right?

24 **Gus Janson:** That is correct.

25 **Tim Scott:** The one we submitted as Exhibit C. Are you familiar with the well costs of this
26 proposed well?

27 **Gus Janson:** Yes.

1 **Tim Scott:** What's the estimated dry hole cost?

2 **Gus Janson:** \$258,458.

3 **Tim Scott:** And the estimated completed well cost?

4 **Gus Janson:** \$615,786.

5 **Tim Scott:** And again, I believe there is a line item for supervision. Is that right?

6 **Gus Janson:** That is correct.

7 **Tim Scott:** Do you consider that to be a reasonable charging fee?

8 **Gus Janson:** Yes, I do.

9 **Tim Scott:** Okay. In your opinion, then, if the Board grants our application today, would it
10 prevent waste, promote conservation and protect correlative rights?

11 **Gus Janson:** Yes it would.

12 **Tim Scott:** That's all I have for Mr. Janson.

13 **Bradley Lambert:** Questions from the Board? [No response] Anything further, Mr. Scott.

14 **Tim Scott:** I've got to figure out how that got on there. That's my question. No, sir.

15 **Bradley Lambert:** Do I have a motion to approve?

16 **Donnie Rife:** Motion made, Mr. Chairman.

17 **Bruce Prather:** Second.

18 **Bradley Lambert:** I have a motion and a second. Any further discussion? [No response] All
19 in favor signify by saying yes.

20 **Board:** Yes.

21 **Bradley Lambert:** Opposed, no. [No response] Thank you, Mr. Scott. That one is approved.

22 **Tim Scott:** Thank you, Mr. Chairman.

23 **Item Number 24**

24 **Bradley Lambert:** We are calling Docket Item Number 24. A petition from Range Resources-
25 Pine Mountain, for a petition for re-pooling of Well Number VH-530183. Docket Number
26 VGOB-12-0515-3072-01. All parties wishing to testify please come forward.

1 **Tim Scott:** Again, Tim Scott, Gus Janson and Phil Horn for Range Resources-Pine Mountain,
2 Inc.

3 **Bradley Lambert:** You may proceed, Mr. Scott.

4 **Tim Scott:** Thank you, Mr. Chairman. Mr. Horn, one last time, your name, by whom you are
5 employed and your job description.

6 **Phil Horn:** My name is Phil Horn. I'm Land Manager for Range Resources-Pine Mountain,
7 Inc., and one of my job descriptions is to get wells permitted and drilled.

8 **Tim Scott:** How many acres does this unit contain?

9 **Phil Horn:** 220 acres.

10 **Tim Scott:** And why are we re-pooling today?

11 **Phil Horn:** This well was pooled in May 2012 and the pooling is expired.

12 **Tim Scott:** Range does have lease hold interest in this unit. Is that correct?

13 **Phil Horn:** That's correct.

14 **Tim Scott:** And what is the percentage that is under lease?

15 **Phil Horn:** 96.04%.

16 **Tim Scott:** And we're not going to dismiss anybody today. Is that correct?

17 **Phil Horn:** That's correct.

18 **Tim Scott:** Now, we notified the parties responding to this hearing. How was that done?

19 **Phil Horn:** By certified mail and also publication in the *Dickenson Star* on July 30, 2014.

20 **Tim Scott:** Do we have any unknown owners in this unit?

21 **Phil Horn:** No, we do not.

22 **Tim Scott:** And have the proofs of publication and mail certification been filed with the Board?

23 **Phil Horn:** Yes, they have.

24 **Tim Scott:** Okay. Again, Range is authorized to conduct business in the Commonwealth?

25 **Phil Horn:** That's correct.

26 **Tim Scott:** There's a blanket bond on file? Is that right?

1 **Phil Horn:** That's right.

2 **Tim Scott:** What would be the lease terms you would offer the parties listed on Exhibit B3, if
3 you could come to an agreement?

4 **Phil Horn:** \$25 per acre for a 5-year paid-up lease that provides one-eighth royalty.

5 **Tim Scott:** And, again, you consider this to be fair market value for compensation for a lease in
6 this area?

7 **Phil Horn:** Yes, I do.

8 **Tim Scott:** What's the percentage of the unit that Range is seeking to pool today?

9 **Phil Horn:** 3.96%.

10 **Tim Scott:** And, I don't believe we have an escrow requirement. Is that right?

11 **Phil Horn:** That's correct.

12 **Tim Scott:** And you're requesting the Board to pool the unleased parties listed on Exhibit B3?

13 **Phil Horn:** That's correct.

14 **Tim Scott:** You're also requesting that Range be named operator for this unit. Is that right?

15 **Phil Horn:** That's right.

16 **Tim Scott:** Now, if the Board grants our application today and parties make elections pursuant
17 to the provisions of the order, what address should be used for those elections that are made?

18 **Phil Horn:** Range Resources-Pine Mountain, Inc., P.O. Box 2136, Abingdon, VA 24212.

19 **Tim Scott:** And that would be the address for all communications for this unit. Right?

20 **Phil Horn:** That's correct.

21 **Tim Scott:** That's all I have for Mr. Horn.

22 **Bradley Lambert:** Do we have any questions from the Board? [No response] You may
23 continue, Mr. Scott.

24 **Tim Scott:** Thank you. Mr. Janson, your name, by whom you are employed and your job
25 description, please.

26 **Gus Janson:** My name is Gus Janson, I'm employed by Range Resources-Pine Mountain, Inc.,
27 as the Manager of Geology.

1 **Tim Scott:** And you're familiar with this application? Is that right?

2 **Gus Janson:** I am.

3 **Tim Scott:** What's the proposed depth of this well?

4 **Gus Janson:** It's a horizontal well, proposed depth 9,400 feet.

5 **Tim Scott:** And what are the estimated reserves of this unit?

6 **Gus Janson:** 1.2 bcf

7 **Tim Scott:** And, again, you executed or signed the AFE. Is that right?

8 **Gus Janson:** That's correct.

9 **Tim Scott:** So, you are familiar with the well costs?

10 **Gus Janson:** Yes.

11 **Tim Scott:** What's the estimated dry hole cost for this unit?

12 **Gus Janson:** \$628,173.

13 **Tim Scott:** And the estimated completed well cost?

14 **Gus Janson:** \$1,321,647.

15 **Tim Scott:** And, again, you did participate in preparation of the AFE. Is that right?

16 **Gus Janson:** That's correct.

17 **Tim Scott:** And there is a charge for supervision on that AFE. Is that correct?

18 **Gus Janson:** That is correct.

19 **Tim Scott:** Do you consider that charge to be reasonable?

20 **Gus Janson:** Yes, I do.

21 **Tim Scott:** And, in your opinion, if the Board grants our application today, is it your opinion
22 that it would prevent waste, promote conservation, protect correlative rights?

23 **Gus Janson:** Yes, it would.

24 **Tim Scott:** Okay. That's all I have for Mr. Janson.

25 **Bradley Lambert:** Any questions from the Board? [No response] Anything further, Mr. Scott?

1 **Tim Scott:** That's all I have, Mr. Chairman.

2 **Bradley Lambert:** Do I have a motion to approve?

3 **Donnie Rife:** Motion made, Mr. Chairman.

4 **Bill Harris:** I'll second it.

5 **Bradley Lambert:** I have a motion and a second. Any further discussion? [No response] All
6 in favor signify by saying yes.

7 **Board:** Yes.

8 **Bradley Lambert:** Opposed, no. [No response] Thank you, Mr. Scott.

9 **Tim Scott:** Thank you, Mr. Chairman.

10 **Item Number 25**

11 **Bradley Lambert:** Docket Item Number 25. A petition from DGO on behalf of Gerald L.
12 Gray, attorney for Pamela Hess, Docket Number 14-0916-4056. He has appealed the decision of
13 the Director on August 4, 2014. At the request of Mr. Gray, this Docket Item will be continued
14 until October.

15 **Item Number 26**

16 **Bradley Lambert:** At this time, the Board will now receive an update of the Board and
17 Division activities from the staff. Mr. Cooper.

18 **Rick Cooper:** Yes. I guess I wanted to just update everyone. You know that a couple months
19 ago we put a bid out for an AFE for the audit and I think everyone agreed. At that particular
20 time, we had one person and it was an open-ended audit, where we didn't know the exact
21 charges, so we chose...you all chose, I should say, to re-bid that and we did re-bid that audit out.
22 It went to 1,050 people on e-Forms and then we actually advertised it in the *Bluefield Daily*
23 *Telegraph, The Dickenson Star, The Kingsport Times News, The Lebanon News, The Virginia*
24 *Mountaineer and Roanoke Times*. Then, our Office of General Services picked out CPA's in
25 Russell County, Dickenson County and Washington County and we directly mailed the bid to
26 them. So, we received two bids on the audit. If you need to know who they are, I can tell you.
27 But, one of them was out of Bethesda, Maryland, and we had one out of Virginia. And our work
28 group discarded the one out of Bethesda, Maryland, because when we called references we got
29 the wrong addresses and the wrong numbers plus, in addition to that, it was an open-ended audit.
30 It has a price, but they put a clause in there, if conditions changed there would be additional
31 charges. And, as you all have spoken in the past, that's not a good thing. So, our

1 recommendation to you all....we did actually and we have had several conversations with this
2 CPA firm. It's called Charles Bridwell, CPA and Associates, and he has two offices. I believe
3 one of them is in Abingdon. One is in Gate City, for you that don't know that. And he does have
4 a history of gas wells. He has worked, so he does know how the escrow system works and so he
5 knows even like in the large accounts, like the gobs that there's a lot of sub-accounts inside that
6 particular account. So, I'm bringing forth to you all today. He had bid this in and this is a fixed
7 cost. If anything was to change, it would have to be Board approved. And, it's also in the
8 contract that once he is awarded this, he has 90 days to conduct the audit. We had him
9 tentatively scheduled for February, I think it's February 17, 2015, to report out on this. That is, if
10 you all approve that. So, his bid was for \$36,350.

11 **Bradley Lambert:** Rick, before you go any further, would you mind backing up and telling the
12 Board the committee process, who was on the committee and how you arrived at this decision?

13 **Rick Cooper:** Right. So, I was on the committee and then we had two procurement people, the
14 Manager of the Office of General Services, Steve Cooney. Then, we had the Procurement
15 Officer, Teresa Flanary, and we had one from our Office of Financial Services representative,
16 Mike Garrett. There is a form in State government, when you actually do analysis of this, you
17 break all this down under certain categories and you grade them on references. You grade them
18 on ability to do the job. You grade them on whether or not they are certified to do this type of
19 work and a couple of other categories. And, even though, we didn't get all the references from
20 the other person, Charles Bridwell still came out much higher on the average.

21 **Bradley Lambert:** So, just to let the Board know, this is not a process where the three you or
22 four of you that's on the committee sat down and made the selection, you had to rate by state
23 criteria that you had to go by that the bidders met the criteria under the state guidelines for an
24 audit.

25 **Rick Cooper:** That's correct. There is a form you fill out and there's a grading system applied
26 to every sector of the contract and the person with the highest...again, it's quality of work, it's
27 references, do they have the ability and knowledge and education, you know, they send their
28 resumes in to support that and we did call all the references and we had several conversations
29 with Mr. Bridwell and I can tell you, initially, he even had to re-bid this because we felt that his
30 original bid was just extremely too high and we explained the process that he has to audit our
31 account and the bank's account and so we didn't just approve this overnight. We, originally,
32 turned him down and told him that he would have to re-adjust his cost and that he has to justify.
33 So, he justifies what his conditions are, where he's going to be. If he's going to be in the Oil and
34 Gas Office in Lebanon, he has to state how many hours he's going to be there and the cost that
35 he's going to do that. If he's going to First Bank & Trust, he has to tell us how many hours he
36 anticipates being there and the cost involved in that and how much office work that he has. And
37 any travel cost that he charges, he has to give that to us in hours and dollars and that is a
38 requirement of the procurement process in the State of Virginia.

1 **Mary Quillen:** And he does have a background in natural resources because he worked in the
2 auditing department of Pittston Coal for a number of years before he went into private practice.

3 **Rick Cooper:** That's correct. And that came out in the conversation that he does have a
4 knowledge of the way the escrow system works and he knows how the accounting system works.
5 But, he had a hands up on the other person that actually sent in on this. Again, we chose and it's
6 up to you all to accept the bid or not. So, Charles Bridwell is the one that we came up with.

7 **Bradley Lambert:** And just so the Board knows, in addition to Rick, because of his knowledge
8 of gas and oil and the escrow account, is why he was on that committee. The other folks that
9 were on that committee are certified procurement officers and contracting officers that are
10 certified by the State of Virginia. That's why they were selected to serve on the committee to
11 review all the bids.

12 **Rick Cooper:** And I can admit, they were much better at that process than I was. I really leaned
13 on them heavily. They did a very good job.

14 **Bradley Lambert:** I make that point just so that the Board knows that there was nothing biased
15 about the selection, these folks outside of Rick that served on the committee knew nothing about
16 this process other than contracting and procurement under state guidelines that we have to meet
17 in order to outside for...

18 **Rick Cooper:** Yes, you stated it very well. They, I guess like everyone else had heard of an
19 escrow account, but it's not something that they journeyed over into so it was not their
20 background. That was really an asset because they asked a lot of really tough questions that
21 someone who's really familiar with it may or may not ask. So, it was really to our benefit that
22 we had these people on that committee.

23 **Donnie Rife:** In other words, if we get in trouble, it's your fault?

24 **Rick Cooper:** No. It is until now, but once you approve it, it's yours.

25 **Bruce Prather:** Rick, let me ask you a question. How far back does this audit go? Does it go
26 back to that audit in 2002 or whatever it was?

27 **Rick Cooper:** This audit will be for the years 2010, 2011 and 2012.

28 **Bruce Prather:** And it's all the information we have gleaned in the last two years? Here in your
29 offices?

30 **Rick Cooper:** That's correct. Two years of that was, as the Board had approved, for the part-
31 time people to put all of that data....it did ten years of that data, plus Sarah has actually continued
32 that process as a DGO employee. She actually did two additional years on top of that, while she
33 has been employed as the Board Support Specialist. In addition to that and, starting in January
34 2012, we actually developed a new accounting form that was part of the APA audit

1 recommendations and it tells all the criteria. So, moving forward, we can go in there and look at
2 the companies. You can look at their deposits, their check numbers, their dollar value, what
3 account they put it to, and how much royalties that they paid. It's a pretty detailed audit report
4 that was recommended by the APA audit. So, we have that for January 2012 going forward.
5 And Mr. Bridwell does not know much about that but I hope he will be sort of impressed with
6 that, if you all approve him to look at that. It's much better than where we were 15 or 20 years
7 ago.

8 **Mary Quillen:** Well, this is going to make it a whole lot easier with looking back, the cost of
9 having that information available and having it electronically available.

10 **Rick Cooper:** Right. We've put an accounting system in place that shows all the deposits and
11 checks and how it's allocated across the royalty owners and that type of thing. So, that's
12 something the Board has struggled with in the past. Looking forward, we've got that through
13 2014 and everybody's doing a pretty good job on keeping that up. So, I think it will be to
14 everyone's advantage moving forward.

15 **Donnie Rife:** What is the biggest difference between this type of an audit and what the people
16 are asking for with the forensic audit? What's the difference in that besides maybe a third more
17 of the cost?

18 **Rick Cooper:** I'm not sure I know the answer to that and the people on the committee....I even
19 posed that to them and so, Ms. Sneeuwjagt explained a forensic audit. To be honest, I'm not sure
20 if it's a detailed account for account. I just don't know the answer to that and I apologize.

21 **Donnie Rife:** Do you think that it would be to our benefit to have a forensic audit just to have a
22 little bit of clarity and transparency with the people that are in the deed?

23 **Mary Quillen:** It costs...the difference is more than a third. I would say that it's probably much,
24 much higher than a third.

25 **Rick Cooper:** What I would recommend is, if and when, it....you know, this is a Board call, if
26 we approve this. When we do conduct this type of audit we got, we will see what surfaces out of
27 that. Then, the Board can make a recommendation from that going forward.

28 **Mary Quillen:** You don't, ordinarily, engage in a forensic audit unless there are criminal acts
29 that have been proven and prosecuted. Unless you have some reason for it, some viable reason
30 to base it on, it's....the difference in the cost. The cost for a forensic audit would probably be
31 way more than a third.

32 **Donnie Rife:** You know it would be something that I would be interested in seeing because they
33 worry about the way some of the funding is used out of the escrow account, but I don't think they
34 would object one bit to having the additional cost to pull the forensic audit.

1 **Rick Cooper:** In my opinion, once we do this....and Mr. Bridwell, it's truly up to him to look
2 and see. He appears to have a pretty good working knowledge and see if anything that would
3 bring it to your attention. He will have full access. We're going to sign him up as an e-Form
4 user. There's total transparency. He's got access to all the data we have. He's welcome to dig as
5 far as he can dig to do the audit. We're okay with that.

6 **Donnie Rife:** It's awful important to this Board to have as much clarity and transparency as we
7 can possibly have.

8 **Rick Cooper:** Right. And I agree with you.

9 **Donnie Rife:** And, if it takes that to ease the minds of a lot of people, then I would be all for it.

10 **Bill Harris:** Can someone tell me the difference between a conventional audit and a forensic
11 audit?

12 **Rick Cooper:** I cannot.

13 **Donnie Rife:** It is very, very intense.

14 **Mary Quillen:** It's very specific. It's into every single account, every transaction on every
15 single account.

16 **Bruce Prather:** One's going into a court of law, that's what the problem is. The other one is
17 making sure your accounts are all in order.

18 **Rick Cooper:** Correct.

19 **Bruce Prather:** That's the difference.

20 **Donnie Rife:** Then, it maybe something we can consider.

21 **Bradley Lambert:** Once we receive the results on this audit, it will give us information on
22 whether or not we really need to dig deeper into the records by including all the website data.
23 Just so the Board knows, these audits are paid out of the interest that is being earned on the
24 escrow account. A forensic audit, if we go that route, if we need to go that route, and this will
25 tell us, we don't have enough money in the escrow account to do that, in the interest.

26 **Bruce Prather:** It would have to come off the principal.

27 **Mary Quillen:** It would have to come off the principal. That's the thing. That's the bad part.

28 **Bradley Lambert:** I don't know how we would ever come up with the...

29 **Rick Cooper:** I believe, under the First Bank & Trust last report, there's \$72,000 or \$74,000
30 interest.

1 **Donnie Rife:** And I would figure that a forensic audit would probably run you about \$135,000.

2 **Rick Cooper:** So, that would be some options you need to think about. If that is proposed in the
3 future, there needs to be some means to pay that if that's the direction the Board goes in.

4 **Bradley Lambert:** As we heard in public comment this morning, the citizens don't what that
5 interest used for anything because they think that's their money. And, of course, it could be, it
6 basically is their money. This Board operates on zero funds. We don't take anything out of that
7 escrow account to operate. All these activities are paid for, everything that Rick and Sarah does
8 as acting in a capacity of this Board, even this room is paid by DMME. So, nothing comes out of
9 that escrow account other than what we need to maintain that account, to operate that account,
10 and for our audits.

11 **Rick Cooper:** Right. For clarity, for everyone here, if we do transactions and processing and
12 checks and requisitions, there's a cost involved in every one of those and it's really a similar cost
13 if it's .01 or 100,000, but that processing cost comes out of the DMME budget. So, that's where
14 those dollars come from to operate the Board, the disbursements and that type of work.

15 **Bradley Lambert:** Most of us know, we've been reading the paper this week on the State
16 Budget and what the Governor has proposed. I can tell you that our department is going to have
17 to realize a 12% budget reduction in the next two years. So, that's...that's got...and Donnie,
18 you're well aware of this...that's got a trickle-down effect of how we publish the notices and how
19 we do transactions. That comes out of the DMME account, not this, not the Board. So that's how
20 we try to keep a check and balance on what's paid out of the escrow. We're bearing this cost as a
21 DMME organization.

22 **Rick Cooper:** So currently, the only costs that actually come out of the escrow account...right
23 now, would be the operating costs. That's the only money that's being taken out for a good
24 period of time. For the banks, the third party unit that operates and manages the escrow account.
25 That's the only fees currently being deducted.

26 **Bradley Lambert:** So, let's keep our fingers crossed as we proceed with this audit that things
27 are pretty much in order, but if they're not, then Donnie I think your recommendation is well-
28 suited and we will go that route.

29 **Donnie Rife:** If the audit, like you said, doesn't go according to plan, then it ought to raise some
30 red flags and those red flags are raised and you'll have to dig deeper.

31 **Rick Cooper:** I'm in agreement with you.

32 **Bradley Lambert:** And, the potential might be going back and the General Assembly having to
33 provide additional operating funds. We certainly won't have those operating funds in DMME
34 given the 12% budget cuts.

1 **Donnie Rife:** That's probably not a bad game plan. Just in case.

2 **Bill Harris:** One of the suggestions...I'll be shot for saying this, but one of the suggestions this
3 morning was that the companies pick up some of the tab.

4 **Rick Cooper:** I'm not sure that that's a statute change. I'm not sure what would require that. I
5 don't....that may have to be something that would have to be submitted and approved.

6 **Bradley Lambert:** I think that's a concern we would need to raise with our legal counsel.

7 **Rick Cooper:** I agree.

8 **Bradley Lambert:** Although no statute change.... I kind of think that there might have to be a
9 statute change in order to allow to do that.

10 **Rick Cooper:** And that's a route that, if necessary, we can take. That's not a quick process,
11 though. You've got to be aware of that.

12 **Donnie Rife:** I was always raised....it never hurts to ask. All they can tell you is no. If they tell
13 you no, you're no worse off.

14 **Mary Quillen:** Or even sharing costs since there would not be that much in interest in the
15 escrow account that would be sharing the cost.

16 **Donnie Rife:** The only thing that I want is that I want the people that come in here, I want them
17 to feel like they're getting every opportunity to get every answer to every question that they ask.

18 **Rick Cooper:** And I don't think anyone in here disagrees with you. If we want an audit, we
19 want it to be true and accurate and transparent and whatever comes out, we will deal with that
20 moving forward if we have to make....and that's what has happened over the last one. There's
21 been a lot of changes. We went electronic. We put spreadsheets in place and that's a product of
22 e-Forms that you all are working off of now to make the program run smoother, more efficient
23 and that is part of the previous audits. It just takes a little while to get those implemented. So, if
24 something comes up, I totally agree with you. We just need to address those issues and meet
25 whatever challenges come forward.

26 **Mary Quillen:** All those recommendations that came from the previous audit, you all have
27 implemented.

28 **Rick Cooper:** We think we have all of those implemented. Again, that is the new escrow
29 uploading process, so that their accounting data and the e-Forms is part of that process. For the
30 efficiency, we also have the spreadsheets. And one thing we have done, Sarah, myself and
31 previously in the last few years, we've posted all of the transcripts that we have. We posted all
32 those on the internet. We've got all the escrow spreadsheets posted for anyone to see. You can
33 log on any time you want to...all the minutes. And that's part of the full transparency that we're

1 working on. And, again, if someone finds an error or mistake in our work, we'll go through the
2 process to correct that.

3 **Donnie Rife:** I'll tell you, you've done an awful good job and I know you've had to cover an
4 awful lot of ground to make up these electronic formats and everything over the past few years
5 and I can tell you right now, probably, the program is still a couple years ahead of everybody
6 else. The information is there. All you've got to do is know how to access it.

7 **Rick Cooper:** I would give the staff and our IT department the credit for that. I've had very
8 little to do with that, but they've done really well with that.

9 **Donnie Rife:** They've done well.

10 **Bradley Lambert:** If you are new to the Board, you probably wouldn't know this, but about
11 three years ago the Department of Accounts audited the Board and the escrow account as well
12 and found some minor things, recommendations that they wanted us to put in place. We met all
13 those by developing electronic forms and some other changes we made so far as submitting
14 times, to submit escrow payments.

15 **Rick Cooper:** And, since you're newer, we actually had a tremendous amount of backlog and,
16 without e-Forms we probably couldn't get there because every petition that would come in front
17 of the Board had a different format and it was very difficult. And so now we can maintain
18 everything and companies can see what we got. They can see it anytime, day or night that they
19 want to. They've got full access to their accounts. They know where we are on the process. So,
20 we may not be where we need to be but we have come a long way from just a few years ago.

21 **Donnie Rife:** As long as we can always remember that an ounce of prevention is worth a pound
22 of cure. You know, that's going to be one thing that I think the public would really appreciate.

23 **Rick Cooper:** Right. Again, we try to put everything we can on for full transparency. If
24 anybody wants to look at any of the data, we try to make it available. For us, the thought behind
25 that is, we're very small-staffed and if someone wants to come in and get 20 or 30 or 40 items, if
26 we post this it's much easier. And Butch has approved this going forward. We will have all of
27 our 10,000 permit applications posted in the very near future. We're in the process of scanning
28 and posting those, so we will have all 10,000 of those on the website. Our goal was by the end
29 of this year, but it may fall over into 2015. But, we're about 40-50% through that now, so we'll
30 have all of our data that we have and our Board orders, we have all those scanned. We will place
31 all of those on the internet after our permits, so we're working on that process.

32 **Donnie Rife:** I'll tell you what. You're small, but you're very efficient.

33 **Rick Cooper:** I give that credit to Sarah and the Staff.

34 **Donnie Rife:** You've done well. Anything else, Mr. Chairman?

1 **Bradley Lambert:** We've heard recommendations from Rick as part of the review committee
2 for the RFP on moving on with the audit. I guess if there's any further questions directly for
3 Rick, related to that review, then we probably need to take a vote on whether or not to accept the
4 recommendation of the committee, to award the contract to....the name is....

5 **Rick Cooper:** The official name of the company is "Charles Bridwell, CPA and Associates."

6 **Donnie Rife:** After asking the questions I've asked, I don't have any problem at all putting that
7 in the form of a motion to accept their proposal.

8 **Bradley Lambert:** Do I have a second?

9 **Bill Harris:** I'll second that.

10 **Bradley Lambert:** I have a motion and a second. Any further discussion? [No response] All
11 in favor signify by saying yes.

12 **Board:** Yes.

13 **Bradley Lambert:** Opposed, no. [No response] Thank you, Rick. We'll go ahead and take that
14 offer and we'll get Mr. Bridwell right away.

15 **Rick Cooper:** We will. And we'll have him come by the Board in the near future and introduce
16 himself so you'll know who he is before the process is complete.

17 **Bradley Lambert:** If we could have him at the October meeting, that would be great.

18 **Rick Cooper:** We'll try our best to have him here to introduce himself.

19 **Bradley Lambert:** Do you have anything further, Rick?

20 **Rick Cooper:** No Board activities, not at this time.

21 **Bruce Prather:** Rick, how soon will we have a new banking set up for the escrow?

22 **Rick Cooper:** The way the escrow account works, you all approved that bid today. If we can
23 get that bid out, we have to bid it for a minimum thirty days. So, if it goes out on the 18th....
24 Our goal is this....I sort of anticipated this, so we will get that out before the end of the week and
25 then we'll....the last time that this occurred, only four people bid on it. So, we will have a similar
26 type committee as Mr. Lambert had mentioned earlier that would review this, but our goal would
27 have these contracts in and have the review completed and that's the reason we needed to have
28 the October hearing, even though it may be low on Docket Items, is to either give an approval or
29 re-bid or whatever at that process.

30 **Bruce Prather:** The contract's up at the first of the year, isn't it?

1 **Rick Cooper:** That's correct. So, we need to have another person. If we bid it in October and
2 they take over in November, you see, there's just one month left, so....

3 **Mary Quillen:** That's a big transition over to everything Debbie Davis has done.

4 **Rick Cooper:** That is correct. But, I would give her credit, too. She laid out a pretty good
5 format that someone should be able to follow. I hope.

6 **Bradley Lambert:** This change of escrow agents does not concern me near like when we went
7 from Wachovia the first time because of all the electronic procedures and checks and balances
8 that we now have in place. We expect that transition will be much smoother.

9 **Rick Cooper:** But, it would be very important for us to have the October hearing just if that
10 alone was the only item on the agenda. It would be very important just to have that because
11 we've got to get that process in place and get a new person, introduce them to what's going on
12 and they need to be able to take off without slowing up the process.

13 **Mary Quillen:** Right. I agree.

14 **Bradley Lambert:** Thank you, Rick.

15 **Rick Cooper:** Thank you.

16 **Mary Quillen:** Minutes.

17 **Bradley Lambert:** That's what I was going to get to. The next item is the review and approval
18 of our June 2014 minutes. Are there any additions or corrections to those minutes that you have?
19 [No response] If not, I'll ask for a motion to approve.

20 **Mary Quillen:** Motion to approve.

21 **Donnie Rife:** Second, Mr. Chairman.

22 **Bradley Lambert:** I have a motion and a second. Any further discussion? [No response] All
23 in favor signify by saying yes.

24 **Board:** Yes.

25 **Bradley Lambert:** Do I have a motion to dismiss?

26 **Mary Quillen:** Motion to dismiss.

27 **Bill Harris:** Second.

28 **Bradley Lambert:** I have a motion and a second. All in favor signify by saying yes.

29 **Board:** Yes.

1 **Bradley Lambert:** Thank you, ladies and gentlemen.