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David E. Asbury Jr., Director,
Division of Gas and Oil

By Decision of the Director in

Informal Fact Finding Conference 24006 (Herein "IFFH 24006")

**Roger Phipps
(Herein "Surface Owners")**

Vs.

**Range Resources-Pine Mountain Inc
(Herein "Permit Applicant")**

Permit Applications for Gas and Oil operations:

Application # 15128, Horizontal Conventional Well VH-530145 with pipeline

**Application # 16842, Horizontal Conventional Well VH-530164 with pipeline
(Herein "Application")**

Background

On March 17 and March 18 2010, the Virginia Division of Gas and Oil (DGO) received applications for permits: Horizontal Conventional Wells **VH-530145** and **VH-530164** from Range Resources-Pine Mountain Inc. The evidence regarding the application and objections filed support the fact, the objections were timely and appropriate under Virginia Statute.

The objections filed by Mr. Roger Phipps against the permit applications for Applications #15128 and #16842 were in accordance with objections provided by law under § 45.1-361.35.

§ 45.1-361.35. (C) Objections to permits; hearing.

C. The only objections to permits or permit modifications which may be raised by royalty owners are whether the proposed well work:

- 1. Directly impinges upon the royalty owner's gas and oil interest; or***
- 2. Threatens to violate the objecting royalty owner's property or statutory rights aside from his contractual rights; and***
- 3. Would not adequately prevent the escape of the Commonwealth's gas and oil resources or provide for the accurate measurement of gas and oil production and delivery to the first point to sale.***

The Mineral and Surface Owners' objections were deemed acceptable under § 45.1-361.35

Hearing Date and Place

IFFH 24006 was convened on Thursday May 13, 2010 in the conference room of the Division of Gas and Oil, 135 Highland Drive, Lebanon Virginia. All parties with standing to object to Permit Applications #15128 and #16842 were notified of the time and place by United States certified mail, return receipt requested.

Appearances:

For the Objecting Party: Roger Phipps

For Range Resources-Pine Mountain Inc.: Mr. Tim Scott, Counsel representing the company, Mr. Phil Horn, Land Manager and Mr Mike Sheppard, Landman.

Findings of Fact:

1. In accordance with § 45.1-361.35.H, notice of **IFFH 24006** was given to the Permit Applicant and to every person with standing to object as prescribed by §45.1-361.30.
2. Mr. Roger Phipps was notified as mineral and surface owner of properties to be affected by the proposed operations Conventional Horizontal Wells VH-530128 and VH-530164, as such, has standing to object to the proposed operations.
3. IFFH **24006** was convened at the time and place indicated in the notice.

Controlling Law and Regulation

1. Section 45.1-361.30.A (1) of the Virginia Gas and Oil Act requires that permit applicants notify all surface owners, coal owners, and mineral owners on tracts to be drilled.
2. Section 45.1-361.30.A (3) of the Virginia Gas and Oil Act requires that permit applicants notify all surface owners on tracts where the surface will be disturbed.
3. Section 45.1-361.30(D) of the Virginia Gas and Oil Act gives standing to object to permit applications to all parties receiving required notice.
4. Section 45.1-365.35(B) of the Virginia Gas and Oil Act details objections that may be filed by surface owners.
5. Section 45.1-361.35(H) of the Virginia Gas and Oil Act requires the Director to schedule an informal fact finding hearing concerning objections, and provide notice of the hearing to all parties with standing to object to the permit.
6. Section 45.1-361.35(I) of the Virginia Gas and Oil Act requires the Director to issue a decision regarding the objection if the parties to the hearing fail to reach an agreement.

Informal Fact Finding hearings are proceedings conducted under guidelines of the Administrative Process Act, the hearing can recess at any time if the involved parties mutually agree that they would like to negotiate off the record. This opportunity was offered by the Director and agreed by both parties.

After a time of recess the parties were back on record at 10:53 am. Mr. Scott was asked to summarize the outcome of negotiations. Mr. Scott stated, the company had offer a damage settlement and the only interest the objecting parties has is to sell the property and not have any surface damage settlement negotiations that are not acceptable to him.

I. TESTIMONY BY THE MINERAL AND SURFACE OWNER
TESTIMONY:

Roger Phipps:

- (1) Mr. Phipps stated he had been in touch with legal counsel after receiving the notice but the individual was not available to attend today.
- (2) Location of the well
- (3) Potential damage to the stream and neighboring wells
- (4) Destruction of the most youthful property where one or more house seats might be available
- (5) Disposal of the grindings

Mr. Phipps stated, he allowed one well to be placed on the property some 30 years ago and that it was his desire to not encumber the property with additional wells. He does not want to put another “cloud” on the property basically rendering it unmarketable.

Mr. Phipps stated, he had made a proposal to Pine Mountain about one year ago that was not agreeable to the company at that time.

CROSS EXAMINATION BY COUNSEL:

- (1) Mr. Scott asked if there were currently any house seats or recent improvements made on the property? Answer No.
- (2) Mr. Scott asked if anyone or any firm had conducted a study relative to erosion and sediment control issues based on the proposed well sites. Answer Not to his knowledge.

II. TESTIMONY BY THE APPLICANT

Counsel Scott asked Mr. Sheppard to provide testimony and circumstances of the permit site. Mr. Sheppard offered Exhibit A (a location map of the site – see attachment) and stated:

- (1) To minimize ground disturbance, the company had chosen the proposed location so to utilize of an existing road to Well P-121. Terrain would not allow the use of the P-121 well pad causing an existing road to be upgraded and extended about 200 feet. A new well pad is to be developed to allow both newly proposed wells.
- (2) Exhibit A depicts the actual head of Spring Branch and the location of existing well P-121 plus the proposed disturbance and well pad for VH-530145 and VH-164 to the west.
- (3) The two proposed wells would be drilled from the same pad, and was the intent of Range Resources Pine Mountain Inc to minimize surface damage.
- (4) The required Erosion and Sediment Control Plan has been filed with the Division as part of the permit for both wells.
- (5) The water protection string relative to the protection of groundwater for each well is described in detail and is a part of the permit for each well.

Counsel Scott allowed comments from Mr. Horn:

- (1) Mr. Horn conferred with Mr. Sheppard and later stated the proposed well construction plan would not cross any creek, specifically Spring Branch and all operations would be contained on the South side of Spring Branch.
- (2) Locations were picked in the southeast corner of the horizontal 320 acre unit and that the planned well location and horizontal laterals are planned to be drilled northwest. Mr. Phipp's property happened to be in the southeast corner and that construction plan was developed to minimize disturbance.

CROSS EXAMINATION BY OBJECTING PARTY:

Mr. Phipps stated:

- (1) He is not aware of any erosion and sediment control studies for the property.
 - (2) He is not aware of how many water wells are near the proposed site.
 - (3) Referring to Exhibit A, he stated there are 15.5 acres on state route 63 along Tarpon Road that extends southwest from Spring Branch to another drainage area.
 - (4) The only useable property for potential future house seats is near the proposed well site development and at the head of Spring Branch.
 - (5) Mr. Phipps stated additional concerns relative to the burying of plastic sheets from the pits on the property.
 - (6) He also stated that coal rights were severed at the turn of the century but the casing through the coal seams should be considered.
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Decision of the Director

The Director is satisfied; the proposed development plan by Range Resources Pine Mountain Inc. is undertaken with the intent of minimal damage to the property and environment.

The Director is satisfied; the erosion and sediment control plan meets best practice standards for the construction activities proposed for this site under current law.

The permit detail includes ground water protection strings, planned to protect both ground water sources within 750 feet of the site (including Spring Branch) and below drainage coal seams that may be encountered during the drilling and resource extraction process.

The Director is further satisfied, the location of the well site does not unreasonably infringe on the surface owner's use of the property.

After careful consideration and review of testimony provided, it **is the decision of the Director, to rule in favor of the Applicant and to proceed with the review and issuance of the permits for Range Resources-Pine Mountain Inc. Conventional Horizontal Gas Operations VH-530145 and VH-530164.**

Right of Appeal

Any party aggrieved by this decision of the Director may appeal the decision to the Virginia Gas and Oil Board **by filing a petition with the Board within ten (10) days** following the decision (§45.1-361.36). No petition or appeal may raise any matter other than matters raised by the Director or which the petitioner put in issue either by application or by objections, proposals or claims made and specified in writing at the informal fact finding conference.

Signed this 8th day of June, 2010

David E. Asbury Jr.

David E. Asbury Jr., Director
Virginia Division of Gas and Oil