

COMMONWEALTH OF VIRGINIA
GAS AND OIL BOARD MINUTES
April 20, 2010

Pursuant to Sections 45.1-361.9B and 45.1361.22.B of the Code of Virginia, the Virginia Gas and Oil Board held their regular monthly hearing which commenced at 9 a.m. on Tuesday, April 20, 2010, at the Conference Center, Russell County Office Building, and Highland Drive, Lebanon, Virginia.

Board members present were: Bradley Lambert, Chairman, Bruce Prather, Bill Harris, Mary Quillen and Katie Dye.

Also present were: Sharon M.B. Pigeon, Sr. Assistant Attorney General, David E. Asbury Jr., Diane J. Davis and Gary J. Eide.

1. The Board will receive public comments.

Comments were presented by:

Jamie Hale,
Juanita Sneeuwjagt,
Ronnie Osborne,
Catherine Jewell,
Ann Campbell,
Norma May,
Saharah Rice,
Jerry Grantham.

2. The Board will receive an update from DMME Director, Stephen A. Walz. Update of 376/1179, update of 1344. Offer to the Board that DMME Director and VGOB Staff would prepare and bring back for the Board's approval.

Stephen Walz updated the board regarding recent legislative action by the Virginia General Assembly, a matter regarding unclaimed property relative to the Board's Escrow Account, and the pending Virginia Budget as related to DMME. Director Walz also reviewed the Regulatory Update for the Gas and Oil Board Part 4 VAC 25 160

3. A petition from CNX Gas Company for the disbursement of funds and authorization of direct payment of royalties on a portion of Tract 5, Unit S-37, Buchanan County, Virginia. Docket Number VGOB-98-0421-0649-04. **The disbursement was approved by the Board.**
4. A petition from CNX Gas Company for the disbursement of funds and authorization of direct payment of royalties on a portion of Tract 1B, Unit AZ-99, Buchanan County, Virginia. Docket Number VGOB-04-0120-1250-01. **The disbursement was approved by the Board with the submission of a new packet containing the correct docket number and revised exhibits.**

5. A petition from CNX Gas Company for the disbursement of funds and authorization of direct payment of royalties on a portion of Tracts 1A and 1F, Unit AZ-100, Buchanan County, Virginia. Docket Number VGOB-03-0415-1139-01. [The disbursement was approved by the Board with a revised Exhibit A.](#)
6. A petition from CNX Gas Company for the disbursement of funds and authorization of direct payment of royalties on Tracts 1H and 1I, Unit BF-100, Buchanan County, Virginia. Docket Number VGOB-04-1214-1368-01. [The disbursement was approved by the Board.](#)
7. A petition from CNX Gas Company, LLC for re-pooling of coalbed methane unit Q-41, Garden District, Buchanan County, Virginia. Docket Number VGOB-93-0216-0327-02. Continued from March 2010. [Applicant requested the petition be withdrawn.](#)
8. A petition from CNX Gas Company, LLC for re-pooling of coalbed methane unit P-41, Garden District, Buchanan County, Virginia. Docket Number VGOB-93-0216-0329-02. Continued from March 2010. [Applicant requested the petition be withdrawn.](#)
9. A petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well V-530217, Sandlick District, Dickenson County, Virginia. Docket Number VGOB-10-0316-2688. Continued from March 2010. [The petition was approved by the Board.](#)
10. A petition from CNX Gas Company for re-pooling of coalbed methane unit BE-107, New Garden District, Russell County, Virginia. Docket Number VGOB-05-1018-1506-01. [The petition was approved with the submission of revised Exhibit E referencing Tract 2.](#)
11. A petition from CNX Gas Company for creation of provisional drilling unit and pooling of horizontal conventional gas unit G80SH, Rocklick District, Buchanan County, Virginia. Docket Number VGOB-10-0420-2690. [The petition was approved by the Board.](#)
12. A petition from EQT Production Company for pooling of coalbed methane unit VC-504069, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-10-0420-2691. [The petition was approved by the Board with escrowing required for tracts 1, 5 and 6.](#)
13. A petition from EQT Production Company for pooling of coalbed methane unit VCI-531502, New Garden District, Russell County, Virginia. Docket Number VGOB-10-0420-2692. [The petition was approved by the Board with escrowing required for a portion of tract 3.](#)
14. A petition from EQT Production Company for pooling of coalbed methane unit VCI-531501, New Garden District, Russell County, Virginia. Docket Number VGOB-10-0420-2693. [The petition was approved by the Board with escrowing required for a portion of tracts 1, 4 and 6.](#)
15. A petition from EQT Production Company for re-pooling of coalbed methane unit VC-537057, Prater District, Buchanan County, Virginia. Docket Number VGOB-08-0916-

2326-01. [The petition was approved by the Board with escrowing required for tract 1 and a revised Exhibit B.](#)

16. A petition from EQT Production Company for modification of the Nora Coalbed Gas Field Rules to allow one additional coalbed gas well to be drilled within the 58.77 acre unit identified as BJ-50, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-89-0126-0009-63. [The petition was approved by the Board.](#)
17. A petition from EQT Production Company for the modification of the Nora Coalbed Gas Field Rules to allow one additional coalbed gas well to be drilled within the 58.77 acre units identified as BF-59, BF-60, BF-61, BH-59, BH-60, BH-61, BG-59, BG-60 and BG-61, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-89-0126-0009-64. [The petition was approved by the Board.](#)
18. A petition from Range Resources-Pine Mountain, Inc. for the establishment of a provisional drilling unit (RR-2694) consisting of 320 acres for the drilling of horizontal conventional gas wells, Kenady District, Dickenson County, Virginia. Docket Number VGOB-10-0420-2694. [The petition was approved by the Board.](#)
19. A petition from Range Resources-Pine Mountain, Inc. for the establishment of a provisional drilling unit (RR-2695) consisting of 320 acres for the drilling of horizontal conventional gas wells, Clintwood District, Dickenson County, Virginia. Docket Number VGOB-10-0420-2695. [The petition was approved by the Board.](#)
20. A petition from Range Resources-Pine Mountain, Inc. for the establishment of a provisional drilling unit (RR-2696) consisting of 320 acres for the drilling of horizontal conventional gas wells, Clintwood/Kenady Districts, Dickenson County, Virginia. Docket Number VGOB-10-0420-2696. [The petition was approved by the Board.](#)
21. A petition from Range Resources-Pine Mountain, Inc. for the establishment of a provisional drilling unit (RR-2697) consisting of 320 acres for the drilling of horizontal conventional gas wells, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-10-0420-2697. [The petition was approved by the Board.](#)
22. A petition from Range Resources-Pine Mountain, Inc. for modification of a provisional drilling unit (RR-2034) consisting of 320 acres for the drilling of horizontal conventional gas wells, Clintwood District, Dickenson County, Virginia. Docket number VGOB-07-0918-2034-01. [The petition was approved by the Board.](#)
23. A petition from Range Resources-Pine Mountain, Inc. for re-pooling of conventional horizontal unit VH-530185, Ervinton District, Dickenson County, Virginia. Docket Number VGOB- 09-0721-2564-01. [The petition was approved by the Board with escrowing required for tracts 11, 12, 16, 17, 18 and 20.](#)
24. A petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well V-530160, Lipps District, Wise County, Virginia. Docket Number VGOB-10-0420-2698. [The petition was approved by the Board.](#)

25. A petition from Range Resources-Pine Mountain, Inc. for a well location exception for proposed well V-530161, Lipps District, Wise County, Virginia. Docket Number VGOB-10-0420-2699. [The petition was approved by the Board.](#)
26. A petition from Southeast Land & Mineral, LLC for the establishment of a provisional drilling unit consisting of 160 acres for the drilling of a conventional gas well, unit Wolfrun-Hall#1, Tyler District, Washington County, Virginia. Docket Number VGOB-10-0420-2700. [The petition was approved by the Board.](#)
27. The Board will receive an update from Staff relative to ongoing business activities of the Escrow Account and other requests made by board members. [David E. Asbury provided the calendar year 1st quarter update of the Board's Escrow Account including historical data:](#)

Quarterly Statement of Account

Wachovia Bank, Escrow Agent for: Virginia Oil and Gas Board (VGOB)	Wachovia						First Bank & Trust Company					
	2004 Year-End	2005 Year-End	2006 Year-End	2007 Year-End	2008 Year-End	2009 Year-End	2010 1st Qtr	2010 2nd Qtr	2010 3rd Qtr	2010 4th Qtr	2010 Year-End	
1 Beginning Value	8,346,101	10,307,951	\$ 13,049,865	\$ 15,942,163	\$ 18,437,703	\$ 23,983,291	\$24,142,156					\$ 24,142,156
2 Contributions	2,317,304	2,947,443	3,505,651	2,305,952	5,374,604	2,640,340	1,795,626					1,795,626
3 Income (net)	37,692	243,151	573,877	570,281	346,885	(25,638)	14,846					14,846
4 Realized Gain / (Loss)	-	-	-	-	-	-	-					-
5 Unrealized Gain / (Loss)	-	-	-	-	-	-	-					-
6 Fees and Expenses	-	-	-	-	-	-	(4,132)					(4,132)
7 Withdrawals / Disbursements	(393,146)	(448,800)	(1,187,230)	(380,694)	(252,883)	(1,640,489)	(301,150)					(301,150)
8 Ending Value	10,307,951	13,049,744	\$ 15,942,163	\$ 18,437,703	\$ 23,906,308	\$ 24,957,504	\$25,647,347	\$ -	\$ -	\$ -	\$ -	\$ 25,647,347

[Mr. Asbury highlighted first quarter contributions from gas operators \(\\$1.795 million\) and the quarterly fund disbursements of \\$ 301 thousand.](#)

28. The Board will receive an update and first quarter report (CY) from First Bank and Trust Company relative to activities of the Escrowed Funds. [Representatives Tom Davis, Karen McDonald, and Debbie Davis of First Bank and Trust presented materials and discussed the quarterly report. Financial investment opportunities available to the Board at a future time were provided with details of investment alternatives.](#)
29. The Board will receive an update from Robinson, Farmer, Cox Associates relative to the Escrow Audit. Corbin Stone of Robinson, Farmer & Cox distributed an update and discussed same providing the status of audit. [FRCA representative Corbin Stone provided an update of the audit progress and early results to the Board.](#)

The Board entered into executive session at approximately 3:45 p.m. by motion to consider legal matters before the body.

The Board reconvened at approximately 4:10 p.m. to report out of executive session. After returning from closed session, motions were made and the Board members approved the following actions:

1. Future petitions by gas operators that include the establishment or continuance of Escrowing will have a revised Exhibit E to include supporting documentation as to why the Unit and certain tracts therein are to be escrowed.
 2. Future petitions by gas operators will include supporting documentation as it relates to their efforts of due diligence.
30. The Board will consider approval of the March 2010 minutes. [The minutes were approved with corrections by the Board.](#)
31. Staff presented an update the Board regarding research and the status of the VP8SGU3 Sealed Gob Unit. [After discussion, a motion was made and approved to require the operator to re-pool the VP8SGU3.](#)

The deadline for filing of petitions to the Board for the May 2010 hearing was 5 p.m., Friday April 16, 2010 with the hearing scheduled for Tuesday, May 18, 2010 at the Conference Center, Russell County Office Building, and 139 Highland Drive, Lebanon, Virginia.