

**WESTERN KENTUCKY SEQUESTRATION SUB-PROJECT
MEETING
June 19, 2008**

KGS Well Sample and Core Library, Lexington, KY

These people were present for the fourth meeting of this sub-project group:

KGS Staff

Dave Williams
Dave Harris
Rick Bowersox
Jim Cobb
Mike Lynch
Donna Webb

ConocoPhillips

Scott Rennie
Paul Heard (via phone)
Michelle Pittenger
Sarah Edman

Peabody Energy

Dianna Tickner

E.ON US

Roger Medina
Sharon Dodson

UK CAER

Jim Hower

Welcome and Introductions

Dave Williams welcomed participants and asked each to introduce himself or herself to the group.

There was some discussion of the continuing efforts to attract more partners to the project, including TVA, which apparently will make a small donation, and EPRE, among others.

Dave Harris announced that the Memorandum of Agreement between KGS/UK and the Foundation has been signed and its approval complete. The university is now reviewing the lease agreements with the property owner for access to the site and associated costs and with R & B for right of way onto the mineral-rights they have leased and to grant them access to all data gathered in the project.

Dave Williams said he is still discussing the new site location on the property with its owner, who has asked for an additional \$15,000 lease for the pasture land which will be used. He has also asked that a dam which creates a pond on his property be repaired, at a cost of about \$2,500. There was discussion of the possibility of seeking another property owner in the vicinity, which could delay the start of the work. Dave will continue discussions with the owner, possibly offering some additional money, if necessary.

Jim Cobb said he is still planning to ask the state of Indiana to contribute to the project, as Illinois coal development office has. And Dave Harris added that the partners are still waiting for an answer from Duke Energy about participation and possible access to data from Duke's Gibson well in the region.

Dave Williams reported that he's having trouble getting the title attorney to provide him the results of the title search. He told the group that Geosciences, Inc., of Georgetown, Ky. has received the contract to do the Phase 1 environmental assessment of the project site.

On the seismic program RFP, Dave Harris said only one proposal came in by the original deadline. It was from Dawson Geophysical for nearly \$1 million, well above the anticipated cost. A representative of Appalachian Geophysical indicated it never received the RFP, though the company is interested. The one proposal was rejected, the seismic program revised and it has been re-advertised through UK. It was suggested that all potential vendors be contacted after the RFP is issued to insure they receive it. There are probably about six vendors who would be interested in submitting proposals.

Rick Bowersox explained the revisions to the program, saying there was a reduction of the off-road segments and routes through forested areas. This should help reduce cost proposals by at least a third. The new deadline for proposals is July 3.

Dave Harris said an RFP for a project management company closed yesterday. He hopes to see the proposals soon and form a committee to make a selection. He expects up to three proposals.

Dave also said he asked Marty Parris of KGS to develop a proposal for soil gas monitoring of the site before and after drilling and injection. He handed out the proposal which has a cost of \$11,800. There was discussion of whether atmospheric issues, such as changes in weather, could have a serious impact on background soil-gas readings and should be monitored as well. But it was also pointed out that Marty Parris' sampling analyzes the isotopic differences between samples of gas taken at a site, because natural forms of the gasses and the forms injected are of different isotopes. It was agreed that the soil gas sampling is something which needs to be done. Dave Harris said he has included the cost in the project's total expense.

Rick Bowersox made a presentation on porosity development in the Knox formation, followed by a discussion of the public perception of what happens to carbon dioxide injected into the deep geology.

Paul Heard discussed the well design, construction and testing program. A graphic of the cores which will be taken in the well was handed out. Paul also noted that moving the site from the original location on a hill to a pasture below it could save \$50,000 or more.

On permitting issues, Dave Williams said that it should take the Kentucky Division of Oil and Gas about two weeks to approve an application. He explained what information must be submitted and the bonding requirements. So far, he added, the project is still on target for a February 1, 2009 spud date.

There was a discussion about gathering all the necessary data for a U.S. EPA permit application and the timeline for the application.

Dave Harris handed out a funding proposal with line items for the various costs in Phase 3 and how they will be divided between KGS and the Foundation. They may need adjusting when the seismic data acquisition proposals come in. Because "property damage" payments will be made to the property owner only after the damage is done, those costs will be moved to Phase 4.

There was a discussion of the need to do water well monitoring during the project and how much of it needs to be done.

Jim Cobb made several announcements: Rick Bowersox will be making a presentation on this project at the annual meeting of the Kentucky Oil and Gas Association. He (Cobb) and Dave Harris will be updating state legislators on June 20 about the status of the projects funded by House Bill 1 money.

The next meeting will be on July 24th, 9:00 a.m. at the Well Sample and Core Library.

ACTION ITEMS:

Dave Williams

Finalize the agreements with the property owner.

Get a title opinion from the title attorney (with help from Sara Smith) and, when completed, follow up with the oil and gas permit submission, Phase I environmental assessment and site survey

Check on the breadth of the right of way associated with the Marathon pipeline on the site property

Check on the possibility that a storm water runoff permit is needed for the project

Foundation partners / KGS

Finalize the news release announcing formation of the Foundation and issue it to the news media.

Foundation partners

Choose an accounting firm and a bank for accounts

Scott Rennie and Diana Tickner will work on the application for funding from the Illinois Office of Coal Development

Scott Rennie and Sara Smith will talk to Duke Energy representatives about joining the Foundation and about the availability of data from the Gibson well.