VIRGINIA:

IN THE CIRCUIT COURT FOR THE COUNTY OF TAZEWELL

GEOMET, INC., a Delaware Corporation;

GEOMET OPERATING COMPANY, INC., an Alabama Corporation; and

GEOMET GATHERING COMPANY, LLC an Alabama Limited Liability Company

Plaintiffs,

v.

CNX GAS COMPANY LLC, a Virginia limited liability company;

Serve: CT Corporation System
4701 Cox Road
Suite 301
Glen Allen, VA 23060

ISLAND CREEK COAL COMPANY, a Delaware Corporation

Serve: CT Corporation System
4701 Cox Road
Suite 301
Glen Allen, VA 23060

Case No. CL07000065

COMPLAINT

COME NOW the Plaintiffs, GeoMet, Inc., GeoMet Operating Company, Inc. and GeoMet Gathering Company, LLC (collectively, "GeoMet"), by counsel, and state the following as their Complaint:

Introduction

1. This action arises out of the anticompetitive efforts of CNX Gas Company LLC ("CNX") to dominate and maintain its monopoly over the market for the production and transportation of coalbed methane gas ("CBM") from Buchanan County, Virginia in an area designated as the "Oakwood Field." To protect and consolidate its control of the market, CNX launched a campaign to assimilate or eliminate its incipient competitor, GeoMet. To the detriment of CBM gas owners, operators, and consumers, CNX's campaign against GeoMet included:

a. Charging higher than competitive prices to transport GeoMet's CBM;

b. Attempting to extract anticompetitive concessions from GeoMet, including an agreement to bar third-party access to a pipeline GeoMet is constructing;

c. Blocking GeoMet's construction of that pipeline by locking it out of land it was legally entitled to enter;

d. Prosecuting baseless and harassing litigation;

e. Claiming title to GeoMet leaseholds;

f. Purchasing property interests and interfering with contracts and contractual or business expectancy -- through sharp business practices aimed at harming GeoMet -- along a legally permitted GeoMet right of way in order to block GeoMet's pipeline, and filing lawsuits to prevent the construction of that pipeline;

g. Entering into agreements with Island Creek Coal Company ("Island Creek") whereby Island Creek has refused to grant "consent to stimulate" coal seams necessary to allow GeoMet to produce CBM;

h. Filing harassing objections and obstructions to GeoMet's permit applications for the production of CBM in Buchanan County, and causing others to do the same;

i. Attempting to push GeoMet out of Buchanan County, Virginia by conspiring to force GeoMet to breach agreements and therefore lose its leaseholds;

j. Actively attempting to interfere with GeoMet's development plans and rights with its primary lessor and seeking to have such lessor instead to do business with CNX; and

k. Taking other anti-competitive actions designed to remove GeoMet from the relevant market.

Parties, Jurisdiction, and Venue

2. GeoMet, Inc. is a Delaware corporation with its principal place of business in Houston, Texas. GeoMet, Inc. is an independent energy company engaged in the exploration, development, and production of CBM.

3. GeoMet Operating Company, Inc. is an Alabama corporation and a wholly owned subsidiary of GeoMet. GeoMet Operating Company, Inc. handles the drilling,

completion and operation of gas wells pursuant to an operating agreement between itself and GeoMet, Inc.

4. GeoMet Gathering Company, LLC is an Alabama limited liability company and a wholly owned subsidiary of GeoMet, Inc. GeoMet Gathering Company, LLC will transport and deliver CBM to market using the pipeline that currently is under construction.

5. Each of these GeoMet entities are associated by common ownership, agreements and purpose to compete in the CBM industry in Buchanan County, Virginia.

6. CNX is an entity engaged in the business of producing, processing, and transporting CBM. CNX is a Virginia limited liability company whose sole member is CNX Gas Corporation, a publicly traded Delaware corporation having its principal place of business in the State of Pennsylvania.

7. Island Creek is an entity formerly engaged in the business of mining, processing, and transporting coal. It holds coal reserves in Buchanan County, Virginia underlying the Oakwood Field. However, it does not operate any active mines on those reserves. It is incorporated under the laws of the State of Delaware and has its principal place of business in Pennsylvania.

8. Jurisdiction is proper in this court pursuant to Va. Code § 17.1-513. Venue is proper pursuant to Va. Code §§ 8.01-262 and 59.1-9.9.

Factual Allegations

A. Background of Coalbed Methane Production in Buchanan County.

9. Buchanan County, Virginia is a unique area for CBM production. It is located in the Central Appalachian Basin and contains the most gas-rich coal seams in the Commonwealth and in the world, including the Pocahontas No. 3 seam. The Pocahontas No. 3 seam is made up of low-volatile, high rank coal that alone contains 400 to 600 cubic feet of CBM per ton of coal.

The Oakwood Field is much more productive than surrounding CBM fields. The deep mining of coal in Buchanan County also distinguishes this CBM field from others in Southwest Virginia. In 2005, CBM production from Buchanan County, Virginia accounted for over 65% of the CBM produced in the entire Commonwealth. The Oakwood Field is the 21st largest gas field in the United States. Gas from this field carries a premium in pricing that is better known as the Appalachian Differential, which traditionally amounts to sales at about $0.28 per Mcf above NYMEX. Moreover, there is little exploration risk associated with the Oakwood Field because producers know that it includes CBM-rich coal. In fact, CNX maintains that it can generate a 20% pre-tax internal rate of return on the CBM from this field at a selling price of only $4.35 per MMbtu, as compared with other fields where the selling price would have to be as high as $8.00 in order to generate the same level of return.

10. For years, the CBM produced by the coal in Buchanan County was vented into the atmosphere as part of the coal mining process. In 1990, the Virginia General Assembly passed the 1990 Virginia Oil and Gas Act (the "1990 Act") which created a structure by which CBM could be captured instead of discharged into the atmosphere. Va. Code § 45.1-361.1, et seq. (1990). Through administrative regulation, most of Buchanan County, Virginia was designated as the Oakwood Field for purposes of CBM production.

11. The two primary coal operators for below drainage (*i.e.*, "deep mine") coal production in Buchanan County at that time were Island Creek and Consolidation Coal Company ("Consolidation"). As a result of the 1990 Act, both Island Creek and Consolidation (or their affiliated companies) began obtaining CBM leases in Buchanan County. Their leasing patterns roughly corresponded to the coal acreage that each company either owned or held under lease.

12. CBM operations affiliated with Consolidation were operated through Pocahontas Gas Partnership, a partnership between Consolidation and its related company, Conoco, Inc.

13. The CBM operations affiliated with Island Creek were operated through Buchanan Production Company.

14. Although Pocahontas Gas Partnership and Buchanan Production Company were fierce competitors in the beginning of the CBM production industry in Buchanan County, they agreed to participate in a joint venture to construct a pipeline to transport CBM from Buchanan County to West Virginia for delivery to the interstate pipelines owned by Columbia Gas Transmission Company (the "Columbia Line"). This joint venture was called Cardinal States Gathering Company ("Cardinal States"). It initially built a 50 mile, 16 inch line that connects to the Columbia Line in Mingo County, West Virginia ("Cardinal One Line"), followed by a second 30 mile, 20 inch line that connects to the Columbia Line in Wyoming County, West Virginia ("Cardinal Two Line") (collectively, the "Cardinal States Pipelines"). A map of the Cardinal States Pipelines is attached as Exhibit 1.

15. In July of 1993, Consolidation's parent company, Consol Energy, Inc., ("Consol"), purchased the beneficial ownership of both Consolidation's competitor in the coal business, Island Creek, and the company that handled Island Creek's CBM operations, Buchanan Production Company. For a short period of time, both Buchanan Production Company and Pocahontas Gas Partnership were commonly owned and operated through related companies. Consol sold Buchanan Production Company in 1995; but, later repurchased it on or about February 25, 2000.

16. Thus, as of early 2000, Consol owned or controlled three-fourths (3/4) of the production in the Oakwood Field with Conoco owning the other 25%. On August 22, 2001,

Consolidation acquired Conoco's interest in Pocahontas Gas Partnership, which then became owned by Consol.

17. Therefore, as of August 22, 2001, Consol effectively owned <u>all</u> of Buchanan Production Company <u>and</u> Pocahontas Gas Partnership, the only two significant CBM operators, producers and transporters in Buchanan County, Virginia. It also owned or controlled the vast majority of the below drainage coal reserves in Buchanan County as a result of these mergers and acquisitions. This allowed Consol to control the necessary "consents to stimulate" referenced in the paragraphs below. The effect of these mergers was highly anticompetitive. As of January 1, 2001, Consol held a monopoly over CBM production in Buchanan County, Virginia, with almost 100% of the market share.

18. Exercising its complete control, Consol consolidated the two former competitors, Pocahontas Gas Partnership and Buchanan Production Company, into a new limited liability company. Consolidation then served as the sole member of CNX. Another related company, CNX Gas Corporation, is currently the sole member of CNX.

19. As a result of these transactions, CNX took control of all of the production facilities previously held by either Pocahontas Gas Partnership or Buchanan Production Company, including the Cardinal States Pipelines. CNX advertises that the Cardinal States gathering system is now a 952 mile gathering system with daily thoughput capacity of 250 MMcf per day. The system was operating at 62% of capacity as of December 31, 2005, with substantially all of Buchanan County CBM production dedicated to the Cardinal States Pipelines.

B. <u>The Economics and Process of Gas Production</u>

20. CBM operators such as CNX and GeoMet obtain gas reserves for production primarily under leases with the owners of the gas. Typically, under such leases, producers agree

to pay the owner of the gas a royalty upon the sale of the gas as it is produced. Such leases also generally provide for up-front rental payments for the primary lease term based on the acreage under lease. They typically also prescribe the costs (if any) that the operator may deduct for processing the CBM once it is produced. These gas leases can have indefinite durations, but they typically require the producer to adhere to a minimum drilling schedule in order to keep the undeveloped portions of the leasehold under lease.

21. Virginia has instituted a statutory and regulatory process for the drilling and operation of gas wells. Under this process, on April 10, 1990, the Oakwood Field was designated as an area of gas production in Buchanan County, Virginia. Rules divide the field into eighty (80) acre square units that are assigned numbers and letters for coordinates using a grid (e.g. Unit A-29, K-20, etc.). Where, as is often the case, an operator owns or controls less that 100% of the gas in a given unit, the operator must apply to the Virginia Gas and Oil Board (Division of Mines, Minerals and Energy) ("VGOB") for a pooling order to be designated as the operator of such a unit. Such an operator also may apply to the VGOB's Director for a permit to drill a well in such a unit.

22. Under this process, it is possible for a gas operator to "force pool" the interests of other owners and gas lessees in a unit. By so doing, the applicant operator may gain control over the unit, and may force even a majority owner in the unit to allow the applicant operator to be "in charge" of the unit and the drilling and production thereon.

23. There are several methods of producing CBM. In connection with active mining, wells can be drilled into or around the rubble or "gob" zone created by active longwall coal mining. These are called "gob" wells. Also in connection with active coal mining, wells can be

drilled from within the underground mine works horizontally into the coal seam in advance of mining.

24. The majority of CBM that is produced in the Oakwood Field, however, is produced from wells where the coal seam is artificially stimulated or fractured prior to mining. These are called "frac" wells.

25. Virginia statutory and regulatory process grants coal owners and operators significant power in that they must give their consent for any such stimulation of the coal seam. *See* Va. Code § 45.1-361.29(F). The Code requires that a permit for a CBM well must be submitted with a signed consent from the coal operator of each coal seam that is located within 750 horizontal feet of the well location which the applicant proposes to stimulate, or that is located within 100 vertical feet of a coal bearing stratum which the applicant proposes to stimulate. The Code also allows coal owners to object to the placement of wells. *See* Va. Codc §§ 45.1-361.11 and -361.12. Virginia Code § 45.1-361.12 requires the coal owner's agreement for the placement of any well or drilling unit within 2,500 feet of an existing well or a well for which a permanent application is on file. The statute effectively gives a coal owner the means to block development of any well within 2,500 feet of an existing well. Virginia statute defines "coal owner" as any person who owns, leases, mines and produces, or has the right to mine and produce, a coal seam. Va. Code § 45.1-361.1.

26. Even once an operator is designated by application for a unit and has permission to drill the well for that unit, it still faces one of the most difficult aspects of producing CBM from Buchanan County (the Oakwood Field) --- transporting the gas to end users, or "getting it to market." Unless a producer can economically get its CBM to market, all other aspects of the process are irrelevant. Moreover, unless an operator can transport the CBM to market, the leases

it obtains will be worthless, and typically will revert back to the lessor. No other CBM owner would likely lease to such an operator who cannot transport its CMB to market.

27. Through the consolidation of Pocahontas Gas Partnership and Buchanan Production Company, CNX effectively controls the vast majority of the large tracts of producible CBM in Buchanan County, Virginia. As of December 31, 2005, CNX claimed that its Virginia operation – which is largely included in the Oakwood Field – comprised 267,000 acres, with 1,095.2 billion cubic feet ("Bcf") of proved reserves, 637 Bcf of net unproved reserves, and 1,862 producing wells. Moreover, with this market power, CNX has announced plans to drill 278 new development wells in Virginia in 2007. It also controls the Cardinal States Pipelines by which the CBM leaves Buchanan County, posing a significant barrier to entry for other operators seeking to enter the market and compete with CNX. Likewise, since CNX's indirect majority shareholder, Consol, is also the indirect owner of Island Creek, CNX is in a position to enter into agreements with Island Creek or Consol to cause Island Creek to deny routine consents to stimulate requested by other CBM operators such as GeoMet. The same is also true for Consolidation Coal Company and other affiliates of Consol that hold coal reserves. While CNX is always assured of obtaining consents for its proposed wells, it can and has entered into agreements with its affiliated coal companies to cause those companies to refuse the same consents to others, including GeoMet.

C. <u>GeoMet's Efforts to Compete in Buchanan County, Virginia</u>.

28. Since 1993, GeoMet has been active as a developer and operator of CBM properties. GeoMet or its principals have been responsible for the development of five successful coalbed methane projects in four separate basins in the United States, including the Appalachian basin.

29. In connection with these development efforts, GeoMet began attempting to enter the CBM production and transportation market in Buchanan County, Virginia in 2002. GeoMet obtained a CBM lease from Plum Creek Timberlands, L.P. ("Plum Creek") and entered into a joint venture with Plum Creek's affiliate, Highland Resources, Inc.

30. As the monopoly holder for CBM production and transportation in Buchanan County and the Oakwood Field, CNX (or its predecessor, Buchanan Production Company) immediately began a campaign to harass GeoMet. It initially refused to allow GeoMet to transport its CBM on the Cardinal States Pipelines. These initial efforts by CNX, however, temporarily abated until CNX identified GeoMet as a legitimate competitor and began a campaign to assimilate the latter company or force it out of the Oakwood Field.

31. As a result of agreements reached in 2002 with the help of GeoMet's lessor, Plum Creek, and joint venture partner, Highland Resources, Inc., CNX agreed to allow GeoMet to transport its CBM on the Cardinal Two Line in order to get the CBM to market. GeoMet entered into an Interruptible Capacity Gas Gathering Agreement, dated October 17, 2002, with Cardinal States Gathering Company (the "Cardinal Agreement"). The Cardinal Agreement was amended by letter agreements dated October 31, 2003, and November 23, 2005. CNX signed each amendment on behalf of Cardinal States Gathering Company, as Operator and Partnership Manager, respectively.

32. The Cardinal Two Line is approximately thirty miles long. GeoMet's CBM enters the pipeline at roughly mile eleven, so it uses only approximately two-thirds of the pipeline. At substantial cost, GeoMet compresses and dehydrates its CBM before it enters the Cardinal Two Line. The actual cost to CNX to transport GeoMet's CBM is therefore minimal, and it is feasible for CNX to provide competitive access to the Cardinal Two Line to GeoMet.

As the amount of CBM flowing through the Cardinal Two Line increases as it has since 2002, the actual per unit cost for transporting the CBM decreases. However, pursuant to the most recent Amendment to the Cardinal Agreement, CNX has increased the rate to GeoMet from $0.28 per MMBtu to $0.45 per MMBtu to transport the gas 19 miles. As part of the amendment, CNX was able to coerce GeoMet into granting other significant concessions such as a right of first refusal for capacity on the Columbia Line. The current rate amounts to extortion and far exceeds both CNX's actual cost (with substantial profit) to transport the gas, as well as any fair market rate for transporting gas. Significantly, the Cardinal Agreement allows for its termination on April 30, 2007.

33. As part of the November 23, 2005 amendment to the Cardinal Agreement, the parties agreed to attempt to negotiate a long term transportation agreement for a period of 60 days. Those negotiations were unsuccessful, and CNX did not participate in them in good faith. Accordingly, GeoMet has no assurance that the Cardinal Agreement will be extended at any price, and the agreement is otherwise terminable on April 30, 2007. If CNX can block the construction of other pipelines that threaten to provide a transportation alternative to the Cardinal States Pipelines, then it can simply dictate the price for such service without regard to applicable economic principles. Without competition, CNX can, in fact, decrease supply and increase price substantially.

34. In August 2004, GeoMet succeeded in obtaining production rights to a large parcel of land in Buchanan County known as the "Rogers Tract." The Rogers Tract comprises roughly 10,189 acres, approximately 6,353 of which are situated in the Oakwood Field of Buchanan County, with the remaining 3,836 acres in McDowell County, West Virginia. GeoMet obtained CBM exploration and development rights to the Rogers Tract through a Farmout

Agreement, dated August 16, 2004, with Equitable Production Company (the "Farmout Agreement"). Under the Farmout Agreement, GeoMet is the successor to Equitable Production Company which holds the Rogers Tract through a CBM lease. That lease grants Equitable --and, thus, GeoMet -- the consent to stimulate the coal seams that contain the CBM. The lessor is the owner of both the coal and the CBM.

35. On information and belief, CNX was aware of this Farmout Agreement during 2005 – 2007, the relevant time period herein. The fact that GeoMet obtained significant acreage in Buchanan County caused CNX to increase the contractual transportation costs under the Cardinal Agreement, and also caused CNX to refuse to negotiate in good faith for a long term transportation agreement.

D. GeoMet's Obligations Pursuant to the Rogers Tract Farmout Agreement and Underlying Lease.

36. As explained, GeoMet leases the CBM development rights to the Rogers Tract in Virginia and West Virginia pursuant to a Farmout Agreement with Equitable Production Company. Paragraph 3(B) of the Farmout Agreement imposes continuing drilling obligations on GeoMet. GeoMet must annually drill 20 wells on the Rogers Tract. GeoMet's failure to meet the minimum annual drilling requirements of the Farmout Agreement can cause a forfeiture of its rights to further develop the Rogers Tract.

37. To date, GeoMet has met its drilling obligations under the Farmout Agreement by drilling primarily in West Virginia and along the periphery of the Buchanan County portion of the Rogers Tract. However, the majority of Rogers Tract acreage is in Virginia, and GeoMet is running out of room to drill in West Virginia. It has become critical for GeoMet to drill in Buchanan County.

E. The Relevant Market.

38. The market relevant to this action is the market for the production and transportation of CBM out of Buchanan County, Virginia, also known as the Oakwood Field.

39. CBM producers in Buchanan County have no commercially practical alternative but to transport their product through pipelines. From the producer's perspective, there is no transportation service that is interchangeable with a pipeline. The holder of a monopoly over pipeline transportation is therefore able to increase rates above competitive levels or restrict capacity, without losing customers to alternative transporters. Likewise, owners of CBM have no commercially practical alternative but to contract with operators who can transport their gas through pipelines. If only one operator in Buchanan County has such capability, then there is only one viable operator in Buchanan County. So too, owners of CBM have no commercially practical alternative but to contract with operators who can obtain "consents" to stimulate the coal from the coal owners. If only one CBM operator is able to obtain these consents due to its ownership affiliation with such coal owners, then there is only one viable operator in Buchanan County. There is no reasonably interchangeable service for owners.

40. Here, CNX has in bad faith used all of these aspects of production and transportation in order to keep GeoMet out of the Buchanan County CBM market. Its anticompetitive efforts are intended to deny owners of CBM in Buchanan County from having alternative producers and transporters for CBM, thus continuing CNX's historic domination of the market.

41. By controlling transportation, a CBM producer such as CNX controls production of the gas itself. Since owners of the CBM want to receive a royalty, they will be forced to lease their gas to the only operator that can get the gas to market. Therefore, if CNX controls the CBM transportation, it controls the CBM production. This is significant since the terms in CBM

leases are highly negotiable and can result in substantially lower payments to the gas owner. For example, modern leasing practices generally require CBM lessees to enter into lease agreements with no deductions for post-production costs such as gathering, compressing, treating and transporting the CBM. GeoMet offers such no-deduction leases to its lessor gas owners. By contrast, in the Oakwood Field, CNX requires CBM owner lessors to agree to such deductions which can be quite high. The fact that CNX is able to obtain such terms from its lessee gas owners is indicative of the market power that CNX possesses. CNX desires to maintain this power and these favorable operating terms. Likewise, if CNX can, as here, price such transportation in such a manner as to affect the profitability of the competing operator, it can accomplish the same results by forcing such competitor -- here, GeoMet -- to pass post-production costs along to its lessor or exit the market.

42. The relevant geographic market is defined and is limited by logistics, geology and regulation to the area in which the CBM is located -- in this case, Buchanan County and the largely coterminous Oakwood Field, as defined by applicable regulatory orders.

F. <u>CNX Dominates the Relevant Market</u>.

43. CNX, through its affiliate Cardinal States Gathering Company, holds approximately 95% of the market share for pipeline transmission of CBM out of Buchanan County. It also held and holds approximately 95% of the market share for production of CBM in Buchanan County.

44. Significant barriers limit potential competitors' ability to enter the market and existing competitors' ability (if any) to expand their output. These barriers include the cost of building a competing pipeline and the difficulty of obtaining necessary easements. Moreover, in order to economically justify the cost of pipeline infrastructure, the potential competitor must

hold a large amount of reserves. Thus, potential competitors such as GeoMet cannot practically or reasonably duplicate the pipeline capacity of CNX or the pipeline that it manages and operates particularly where, as here, the monopolist is exerting undue manipulation on the market.

45. Prior to October 31, 2006, the only practical way to get CBM out of Buchanan County was through the Cardinal Pipelines; and the only interstate pipeline system available to transport CBM once it was out of Buchanan County was the Columbia Line that runs to the north of Buchanan County in West Virginia. However, in 2005, Duke Energy Gas Transmission announced its plans to build a new Jewell Ridge Lateral pipeline that would connect Buchanan County with gas markets and East Tennessee Natural Gas ("ETNG") pipelines to the south within the Interstate 81 corridor and beyond.

G. CNX's Anticompetitive Efforts to Block Construction of GeoMet's Pipeline.

46. On October 31, 2006, natural gas owners and producers in Buchanan County were presented with an alternative to CNX's transportation system (Cardinal States) to the Columbia Line, as the new Jewell Ridge Pipeline was placed into operation. This 32-mile pipeline is owned and operated by ETNG, a subsidiary of Duke Energy Gas Transmission (now Spectra Energy). It provides a means to connect Buchanan County to an alternative interstate pipeline and market through the ETNG interstate pipeline to the south. It also provides access to a large gas storage facility operated by Duke Energy called the "Saltville Storage Facility." By allowing access to this storage facility, the new Jewell Ridge Pipeline provides an option to producers of CBM to produce and store gas during non-peak seasons, allowing it to be drawn out during periods of higher demand. A map of the new Jewell Ridge Pipeline is attached as Exhibit 2.

47. By agreement with ETNG, CNX has obtained a large amount of firm capacity on the Jewell Ridge Pipeline at a discounted rate. It uses less than a third of this capacity. CNX pressured GeoMet to purchase some of its capacity on the Jewell Ridge Pipeline, for which it proposed to charge GeoMet the full tariff rate.

48. Instead, GeoMet negotiated and entered into a firm capacity agreement with ETNG allowing it to transport its gas along the Jewell Ridge Pipeline at a cost substantially lower than that charged by CNX for Cardinal Two Line.

The PMC Tract:

49. However, in order to transport its gas to ETNG's Jewell Ridge Pipeline (and thus, other markets, pipelines, and storage facilities), GeoMet must construct a connecting pipeline from its CBM production facilities to the Jewell Ridge Pipeline. To do so, GeoMet obtained necessary easements and permits and began construction of the new connecting line (the "GeoMet Access Line"). As GeoMet permitted the GeoMet Access Line, it gave notice to all owners affected by the pipeline. Any objections such property owners raised were ultimately withdrawn during the regulatory process for the approval of the GeoMet Access Line. A critical part of the path of this GeoMet Access Line passes through an approximately 20,000 acre tract of land owned by Pocahontas Mining Company ("PMC") in Buchanan County. GeoMet was able to obtain an easement from PMC in order to complete this new pipeline to transport economically the CBM it produces in the Oakwood Field.

50. Construction of the GeoMet Access Line to the Jewell Ridge Pipeline threatens CNX's monopoly on the production and transport of CBM out of Buchanan County. When CNX learned of GeoMet's efforts to build the GeoMet Access Line, it took extreme measures to prevent the pipeline's construction.

51. CNX is successor lessee to a CBM lease with the PMC, dated February 13, 1998. That lease grants CNX exclusive drilling and production rights to the coal seam gas on the property, as well as the nonexclusive right to construct and maintain pipelines, tanks, structures, and utility lines that it "may deem necessary and convenient for the production and/or transportation of coal seam gas or other gas…." CNX asserted that its lease prohibited the construction of the GeoMet Access Line across the PMC tracts.

52. In its efforts to block GeoMet's construction of the GeoMet Access Line, CNX went so far as to lock the gates to the PMC property, denying access to both GeoMet *and* PMC, the owner of the property.

53. GeoMet obtained an injunction in Buchanan County Circuit Court allowing it to construct its access line across the PMC property in May, 2006 and again in July, 2006. The litigation between CNX and GeoMet regarding the GeoMet Access Line remains ongoing.

The Smith Tract:

54. Failing at its efforts to block GeoMet's access to the PMC tract, CNX switched tactics and began to buy property along the right of way proposed for the GeoMet Access Line. Another critical portion of the GeoMet Access Line right of way is the J. Rufus Smith property in Tazewell, Virginia (the "Smith Tract"). The Smith Tract is a small tract of land with a complicated title that involves many heirs. GeoMet purchased a majority interest in this tract and purchased rights of way from other owners who preferred not to sell their interests in the tract. As with most family-owned tracts, negotiation for the purchase of surface rights to this tract was handled partially through family representatives who negotiated on behalf of other family members. GeoMet worked through such family leaders, particularly when dealing with elderly persons who owned small co-tenant interests in the Smith Tract. For example, GeoMet negotiated with Tom Smith regarding his