

**West Liberty University
Board of Governors**

Minutes

December 8, 2010

Attendance:

Beverly Burke, Richard Carter, Brian Joseph, Patrick Kelly, Paul Limbert, Ann Thomas, Michael Turrentine, Richard Whitehead

Unable to Attend:

Robert Steptoe, Michael Stolarczyk, Jim Stultz

Administration/Faculty/Staff:

Stacey Brodak, Robin Capehart, Scott Cook, George Couch, John Davis, Mary Ann Edwards, John Gompers, Pat Henry, Lee Herbert, John McCullough, Jack Wright

1. Call to Order:

Chair Joseph called the meeting to order at 5:15 p.m.

2. Chairperson Comments:

None.

3. Approval of Minutes*:

<u>Full Board</u>	<u>Executive Committee</u>
10/13/10	10/06/10

Chair Joseph asked if there was any discussion with regard to the October 13, 2010 minutes of the full Board. There being none he asked for a motion to approve said minutes.

A motion that the West Liberty University Board of Governors approve the minutes of the full Board of October 13, 2010 was then made by Beverly Burke and seconded by Patrick Kelly; motion passed unanimously.

Chair Joseph then asked if there was any discussion with regard to the October 6, 2010 minutes of the Executive Committee. There being none he asked for a motion to approve said minutes.

A motion that the West Liberty University Board of Governors approve the minutes of the Executive Committee of October 6, 2010 was then made by Mike Turrentine and seconded by Ann Thomas; motion passed unanimously.

4. Honorary Degree*:

Dr. McCullough stated that it was by unanimous recommendation of Committee members Mike Turrentine, Faculty representative, Anthony Salatino, Classified Staff representative, and Ron Witt, Non-Classified representative, to award the Doctor of Humane Letters to Randy Worls. Randy will speak at commencement on Saturday. Randy is well known and well respected in this area; his reputation speaks for itself. Randy has been a strong friend and supporter of the University and our students for many years. Many of our students are employed at Oglebay. Mr. Turrentine noted that Mr. Worls has been very forthcoming with internships for the College of Business and was very happy that he has been nominated.

Per WLSC Policy 238, "Guidelines for Honorary Degrees and Recognition," the Honorary Degrees and Recognition Committee met to review the nomination of G. Randolph Worls, to receive an honorary degree of Doctor of Humane Letters (DHL) from West Liberty University. Mr. Worls has been invited to be the featured speaker at the December 2010, commencement. The Board is asked to approve this nomination.

A motion was then made that in affirmation of the recommendation of the Honorary Degrees and Recognition Committee and the President of the University, the West Liberty University Board of Governors authorizes the conferral of an honorary Doctor of Humane Letters (DHL) degree from West

Liberty University at the December 2010 commencement to G. Randolph Worls by Richard Carter and seconded by Paul Limbert; motion passed unanimously.

5. Natural Resources Lease*:

Mr. Wright stated that there will be two natural resources discussions tonight; the marcellus shale gas and timber owned by West Liberty University. These are wonderful opportunities in an economy that would be particularly beneficial to WLU. There are two visitors with Chesapeake Energy joining the meeting, Stacey Brodak and Lee Herbert. When these projects were discussed with the BOG Executive Committee they recommended we see what we can learn about shale and Stacey is the Director of Corporate Development for Chesapeake. Stacey will make a presentation tonight on drilling and what goes on, and Lee is with the land company. Mr. Wright turned the meeting over to Ms. Brodak to give her presentation and answer questions. If she cannot give an answer this evening she will get an answer and come back to us.

Mr. Kelly noted that the law firm with which he is employed may represent Chesapeake and asked to be excused from the discussion and motion and stepped out of the conference room. Ms. Brodak will make the entire presentation available to the group in the next few days; she then presented the background on Chesapeake Energy.

Mr. Turrentine asked about the amount of chemicals contained in fracking. Ms. Brodak stated that 99.5% is water; the remainder is a mixture of chemicals. A list of the mix is available on line but will also be provided by Ms. Brodak. The EPA has requested disclosure and reports from fracking companies. She will provide this information also; she believes this request is in process.

At the completion of the presentation Ms. Brodak asked if there were any questions. Mr. Couch asked about the fluctuations in price; the price is up a good bit over last year. Ms. Brodak stated they would like to see the price go higher; it's been too low for too long. They are optimistic where gas prices will head as it balances out; WLU should be well situated on being able to capitalize on the higher price. Mr. Couch also asked with regard to a site at West Liberty; how would it be accessed? Mr. Wright stated that access would be by way of Weidman Run Road.

Mr. Carter noted it was mentioned that severance dollars were dropping and gas dropped; when you are looking at being reimbursed on volume out of a well, how is that volume priced? Ms. Brodak stated that it is based on volume priced and sold to the administering companies, which is a third party, not on the well-head volume. Mr. Carter stated that our lease stated it is based on well-head volume. Mr. Herbert will email Brian and get an answer on this and figure out exactly how it will be done. Mr. Carter asked, depending on what the pricing is based on, how is it priced at 18% to WLU? This will be looked into as well; Mr. Herbert believed it's based on a certain index, but will get an answer. Ms. Brodak stated she was not prepared to discuss this detail tonight; just to talk about the drilling process. Mr. Carter asked if we are talking about MCF's when it comes to volume, which is correct.

Mr. Turrentine asked with the five-year initial lease, what is the average time, once the site is established, for a site to operate? Ms. Brodak stated that since Chesapeake is clearly still in the development phase in this area and that they haven't gone through a complete process yet for a site; they're not there yet. There is a standard formula to develop a sight to give some sense of how long it could be running, but it's also subject to a lot of change. Mr. Turrentine stated that they have done horizontal drilling in Oklahoma and Texas; could these be used as an example? Mr. Herbert stated that these areas have a different topography; these flat, wide-open areas have a different prospective. There is also much less resistance to the activity; people are accustomed to it and know it's bread and butter for their state.

Mr. Joseph asked that we take a look at the resolution, which combines the timber issue in the resolution. When the time comes to make a motion on the natural gas lease, Mr. Kelly will abstain from the vote. Mr. Joseph stated that when looking at any technology, whether a steel plant, plastics plant, or oil drilling, everything has a cost and a benefit. When you hear the issues related to this particular technology, it's hard to value it against coal or nuclear power because we can't see these comparisons. He noted his suspicion is that this process is relatively clean compared to a lot of other industries to procure the same amount of BTU's of energy; this is his two centers on the overview.

Mrs. Burke stated that she is a little puzzled on what is being voted on this evening and is uncomfortable with just having a presentation, which is a lot of information, and now having to vote on this issue. She's not sure what we're voting on; how much money do we benefit? We're voting on a lease, but is that different from drilling; just not sure what we are voting on. Mr. Wright stated that Mr. Herbert brought to his attention that we are entitled to the entire acreage on top, which is the only place the 50% comes in on the royalty. This is

something we will need to discuss. He's saying the bonus money is \$5,000. The up front money is between \$950,000 and \$1,400,000. This bonus consideration is up front without the royalties figured in. When they start to run the well WLU would get an 18% gross royalty on gas coming out of the well head. The question Mr. Carter has asked is how this is priced and he will get an answer tomorrow. This is where the money is made; coming out of the well head.

Mr. Gompers stated that the big money, which there will be no exact amount until they drill the well, is usually from the royalties and is substantially larger than the bonus consideration up front. Mrs. Burke stated that she has talked to a lot of people with land around this area who are going through this process. They signed a lease up front and received money for the lease; is there some other point they come back to us and say okay, now we're going to drill and need another type of approval? What are we voting on? She stated she does not feel qualified to vote on this yet since we just had the presentation. Mr. Wright stated that we are voting on leasing our mineral rights to drill for gas to Chesapeake. With three pages of addendum to the lease, Chesapeake cannot use our water, make roads to our secondary campus, pipelines or anything they put on the secondary campus has to be with a joint approval. The secondary campus is the wooded area behind Myers Maintenance building.

Mr. Gompers showed a map of the area, explained various sections of the area such as the ten acre eco park. The thing to understand with oil and gas leases is that there are two types you can enter into. The easiest terminology would be a non-disturbance lease; the company cannot do anything on your surface; any drilling, pipeline across, any facility or drive over the surface. This applies to the main campus; they cannot even drive a truck over particular sections or the eco park. The only place they would have the possibility of coming onto the property would be the secondary campus portion, the portion beyond the football field. This is the same area we are talking about timbering, except for the eco park. Access would be by Weidman's Run Road or they could come in from Harvey Road if they receive permission from homeowners on Harvey Road.

The provision of the lease states that they can only come onto this property upon mutual agreement. At this point the drilling is not on any of WLU's property; the projected drilling pad will be on the McGlumphy property. Mrs. Burke asked if we will see anything from the campus and that it will not be on WLU property. The plans right now, and designs have already been done, is to put a pad on top of the McGlumphy property adjacent to WLU's property. WLU will be part of the pool of drilling from the McGlumphy property. Chesapeake will come under WLU's property horizontally. Chesapeake needs one square mile of property for a well site, the equivalent of 650 acres; the large piece of McGlumphy property next to WLU is advantageous to WLU at this time.

Mr. Gompers stated that this proposed lease is the highest offered that he has heard of to date in this area. In referring to the highest, he stated that the Sampson group/individuals were paid \$5,000/acre, but also everyone had to sign a disturbance lease. In this situation they are willing to give \$5,000 and give a huge portion of campus a non-disturbance. To date, this type of lease has never been more than \$4,500/acre. Chesapeake is willing to go \$5,000/acre for every acre at WLU with 18% gross royalty on gas coming out of the well head. This doesn't mean that they can't go up to \$10,000/acre next week or go down to \$1,000/acre if we miss this opportunity.

Mr. Davis stated that he was in Charleston Monday and Tuesday meeting with people in the real estate division, department of administration, and representatives from the attorney generals office concerning the draft lease. They had not seen prices as high as what is presented in this lease anywhere in the state.

Mr. Wright stated that what Ms. Brodak did not say tonight is that China needed the technology that some of Chesapeake people use and they bought a chunk of Chesapeake in order to get part of the technology information. Because of this Chesapeake has come into a great deal of money lately and is convinced this area is the second richest area, if not first, in marcellus shale. Mr. Joseph stated that the well location is something chosen by geologists and sometimes it's good not to have the best land for the actual well. They generally want the highest point, which WLU does not have. We are basically selling the rights under the property and they can't disturb the surface property. Mr. Wright stated that the chances of a well here depend on changes in technology, which is possible. As Ms. Brodak said tonight, their well drilling the last two years has changed substantially every time they drill. Mr. Gompers stated that this is a five-year lease, which is sometimes a misnomer because it's a five-year lease unless operations start in the pool. Once they start in the pool then the lease goes until the gas runs out. If you sign a lease and they do nothing for five years, the lease expires and in the proposal there would be a right to renew for an additional five years with Chesapeake to pay some bonus consideration. You don't go into this thinking it's an absolute five year lease; it's five years if they do nothing to start operations.

Mr. Couch asked if the lease is with the University or the Foundation. Mr. Wright stated that the Board of Governors would be executing the lease with Chesapeake. It was then asked how long the company would be paying royalties, to which Mr. Gompers responded "5 to 20 years, as he understands it." The money would have to go into some type of capital improvement fund, such as funding for the health care science building. WLU needs to match \$2.5 million for the science building; \$1.4 million would go a long way.

Mr. Carter stated that he had done a little bit of investigation of his own since he is interested in this horizontal drilling and developing of the Marcellus shale. At first glance he had some reservations about the process; environmentally there seemed to be a tremendous amount of water in the wells, along with the list of chemicals, some of which are reasonably nasty. Again, he had reservations, but the more he looked at it and the more information he received, much of this is risk reward. Ms. Brodak's presentation and the way the lease is written gave him a much greater comfort than with his initial investigation on his own. The casing used in the drilling is substantial and offers a tremendous amount of protection. He felt much better about the protective casing, how the water is brought in, removed and reused, and the fact that the lease tells them they are not allowed to build on the property. Everything is disposed of in some manner and nothing is contained on WLU property. Any previous concerns he had have been resolved through Chesapeake's methodology and protections that are placed in our lease contract. Is anything 100%; absolutely not, there are still some risks but there is a tremendous amount of reward in this and Mr. Carter's concerns have been reasonably removed. The amount of traffic and the amount of activity is going to be substantial when the drilling takes place. This will be a temporary inconvenience for permanent money. He also stated that he may be way off base and willing to listen to other concerns, but his comfort level is now much higher than when he did his own initial investigation.

Mr. Turrentine stated that he appreciated Mr. Carter's remarks and the fact that he had done some investigation. Mr. Turrentine has also done some investigation himself. Mr. Wright had come to the Board seven or eight months ago with the possibility of drilling at WLU, but heard nothing more since that time. His concerns are much of what Ms. Brodak addressed tonight, but didn't relieve him of his uncertainty. He felt that even the regulatory bodies don't know how to deal with some of the issues. They have moved so quickly throughout our region the EPA is still doing studies. Mr. Turrentine's point is he feels there are risks we are not aware of; there's no proof of causation in the current drilling area, whether it's the reason why there are water supply issues, all giving him pause because it is so new. He stated he will probably vote no, after hearing from his constituent group, but also has his own reservations, too.

Mr. Gompers read the resolution for the natural gas lease, noting there will be a separate resolution for the timber sale. The depth severance clause, which WLU has taken exception to, does not mean we can't go back and negotiate this point. In the original proposal, the thinking of the Executive Committee was that the only leasing would be of the Marcellus shale, and above the Marcellus shale would be retained by WLU. Bryan Lohoff responded about an hour before the meeting today by email and it appears that Chesapeake has agreed to our lease agreement proposal on the depth severance clause. Mr. Carter asked if geologically, is there shale below the first level, to which Mr. Wright responded "yes." A discussion followed with regard to the various levels of shale.

Mrs. Burke asked if there is contamination of local water supplies from the drilling, can individuals sue the University or is this the responsibility of Chesapeake. Mr. Wright stated this would be the responsibility of Chesapeake. He also stated that whether you agree with the drilling or not, the well is going in and we can either be a part of it or we are not. We are not personally ever going to hold up Chesapeake in this area; they will work around WLU. Mr. Davis stated that there is nothing the University can do to stop them from using public roads; they can travel 88 and Weidman Run all day long.

A motion that the West Liberty University Board of Governors Chairman is hereby authorized, empowered and directed to execute and deliver to Chesapeake Appalachia, LLC, an Oil and Gas Lease in accordance with the form of the proposed Lease attached hereto, leasing the rights to oil and gas underneath the campus of West Liberty University, with the exception that the Depth Severance clause may be deleted during negotiations; and the aforesaid Chairman and/or President and/or Executive Vice President/Chief Financial Officer, John E. Wright, are hereby authorized, empowered and directed to execute and deliver any other agreements, documents, instruments, certificates and other papers and do all such acts and things as may be necessary and desirable to consummate the transaction authorized herein and otherwise to carry out the purposes and intent of this Resolution was then made by Richard Carter and seconded by Paul Limbert; motion passed, Mike Turrentine opposed, Patrick Kelly abstained.

6. Timber Sale*:

Mr. Wright stated that three bids were obtained for the sale of timber on WLU property, with DeNoon Lumber having the highest bid. The day DeNoon Lumber Company signs the lease they will owe WLU \$119,000. The day they break ground or June 30th, whichever comes first, DeNoon will owe WLU an additional \$119,000. They have until December 31, 2011 to complete the timbering or the lease reverts back to WLU. A 10% reclamation is included which is recommended in the WV Department of Natural Resources logging and timber regulations. The timber inspector is out of Middlebourne and WLU will have a forester who will be here throughout the timbering process. DeNoon is a very reputable company and has done a lot of business in this area. The money from the timbering will go toward capital improvement projects at the University. One thing the Department of Natural Resources told us is that we are losing timber on this property every day because of the age and because of the destruction when big trees go down and take out younger trees. Timbering should have been done in the early 1990's. We feel we have three good bids and certainly have the support of the Department of Natural Resources. Mr. Wright asked if there were any questions.

Mr. Joseph asked for clarification on the size of trees to be taken. They are not to take out anything that's less than 18" at shoulder height and all trees will be marked for taking by the forester. Perimeter trees and trees in the ten acre eco park will not be taken. All entry will be by Weidman Run Road or Harvey Road if permission is given by landowners on Harvey Road.

Mr. Turrentine asked if the timbering is classified as a thinning or harvesting of trees. Mr. Wright stated that the process is revenue driven, but is considered a thinning as stated by the Department of Natural Resources. Mr. Davis stated that another part of this answer might be that we are not talking about a clear cut; trees that will be cut have already been marked if they are 18" or greater at shoulder height. Anything under 18" cannot be touched. Some trees are going to be taken out when others fall if you read the document. They will have to be extremely careful near the eco park because we don't want any damage to the park. Under State logging and timbering rules and regulations, they are required to make sure the timbered area is cleared and that roads are cleaned and reseeded before they leave. There will still be a forest; there is a perimeter ring of the property so you won't see the thinning. There is also a very flat area on this property. As WLU is more and more hard pressed to find places to put buildings up, there could be considerations for putting athletics over there and opening areas of campus for additional buildings. This area has been considered by previous administration for buildings. Dr. McCullough stated that the plan some years ago was to erect an athletic complex over there, including playing fields. Once upon a time a music art center was also discussed.

Mr. Wright noted that the College of Science will undertake the project of reseeding. The great fear at one time was that the ground would be taken over by multiflora rose bushes that grow wild. The College of Science, along with maintenance, will make sure that type of growth is removed. Mr. Joseph stated that he has seen similar problems where he lives. Six trees have fallen in the last year and a half and they have smashed everything in their path. The woods around his house are littered with huge old cherry trees. WLU's property was purchased in 1917 and the majority of the mature trees are probably the same age. We have overcome two hurdles; receiving the support of the Department of Natural Resources and the College of Sciences. In the past, the College of Science has not supported timbering this area; we have their support as long as we keep the eco park. They seem to be looking forward to seeing an area they can develop. They can't develop an area right now because most are so thick there's nothing growing below the tree canopy.

Dr. McCullough stated that he is impressed with the entire process. Although the revenue stream resulting from the timbering is not gigantic, the Department of Natural Resources said this is what we need to do to be a good land steward and good environmental steward, which is what we should be doing. A brief discussion followed with regard to the timbering.

Mr. Gompers read the resolution for the timbering of the WLU property.

A motion that the West Liberty University Board of Governors authorizes University administration officials, (i.e., the President and/or CFO), to execute all legal documents needed to sell select timber on the 169 acre tract adjacent to the Main Campus, in accordance with the bid documents submitted to the Board utilizing the West Virginia Department of Natural Resources Contract was then made by Patrick Kelly and seconded by Beverly Burke; motion passed unanimously.

7. President's Report/Campus Reports:

President Capehart asked if there were any question with regard to the campus reports, which there were none.

As Chair of the Legislative Liaison Committee for the Council of Presidents, President Capehart will be meeting with Chancellor Noland in the next few weeks to discuss a bill that died last year. A portion of that bill dealt with giving more flexibility to colleges and universities in a number of different areas. The bill went through, but got to the Governor's desk with technical difficulties. They are still working on the Classified Staff section and looking at a couple initiatives. Regional colleges need to realize the political influence they have in their boards of governors. This is the type of leverage that needs to be used so that higher education isn't the stepchild that it's been over the years. If you read the regulation regarding State appropriations, WLU's should be \$2 to \$3 million more than budgeted. We are working on adult education programs and sciences, areas for which you are supposed to receive State appropriations.

Pre-registered students for Spring 2011 has increased from 1,971 in December 2009 to 2,011 in December 2010, a 4.7% increase. Randy Worls will be the speaker for commencement taking place on Saturday, December 11, 2010. Board members are encouraged to attend.

Dr. Tom Michaud is serving as chair of the Provost Selection Committee. There is a vast amount of involvement on the campus in this search. The goal is to hire a provost before spring break in March. An offer has been made to a candidate for the position of Director of Human Resources. We hope to have a reply by the end of the week.

A coach has been hired for the lacrosse club sport within the office of the Dean of Students. Although not NCAA sanctioned, club sports involve some very prestigious institutions and puts WLU in an arena perhaps for recruitment and exposure at a different level. President Capehart added that the stipend for this position as the lacrosse coach is a very modest \$10,000.

Shaw Hall renovations are progressing with asbestos removal completed. The core drilling report for the locations for the new Science building is expected tomorrow.

West Liberty hosted the Higher Education Policy Commission meeting held on December 3, 2010. The Commission and other State agencies attending were very complimentary of the meeting set-up and the campus.

President Capehart asked if there were any questions or any other business.

8. Adjournment:

The meeting adjourned at 7:14 p.m.

Brian Joseph

Chair

Richard Carter

Secretary