

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: Appalachian Energy, Inc.

DIVISION OF GAS AND OIL
DOCKET NO. VGOB 89-1026-009-03



RELIEF SOUGHT: MODIFICATION OF NORA COALBED GAS UNIT NOS.: 1-101 (AE-148 and AE-176), 1-100 (AE-149 and AE-177), I-99(AE-178 and AE-179)

AFFECTED UNITS: (See Attached Exhibit A)

APPLICATION

1. **Applicant and its counsel:** Applicant is Appalachian Energy, Inc. P.O. Box 2406, Abingdon, Virginia, 24212-2406, (276) 988-1000. Applicant's Counsel is James E. Kaiser 220 Broad Street, Suite 202, Kingsport, TN 37660 (423) 578-3838.

2. **Relief sought:** (1) Modification of the Nora Coalbed Methane Gas Field Rules, to allow more than one coalbed gas well to be drilled within each of the 69.66 acre Nora Units identified above. (2) For an administrative order providing that additional well permits may be issued in the Nora Field after this application is filed and while it is pending.

3. **Legal authority:** 4 VAC 25-160-50 and § 45.1-361.20 of the Code of Virginia.

4. **Proposed provisions of order sought:** That additional coalbed methane gas wells may be drilled in each of the above referenced Nora Units; that the second well drilled in each of the said Units need not be located within the Nora drilling window of the Unit in which the well is drilled; that the second wells may be located within 300 feet of Unit boundaries and need not be more than 600 feet from the nearest coalbed methane well; and that production/royalties from each coalbed methane well drilled in the said Units shall continue to be allocated solely to the owners and claimants of and to the coalbed methane within the Unit in which the well is located.

5. **Type of wells and field:** Coalbed methane frac wells within the portion of the Nora Coalbed Gas Field described above.

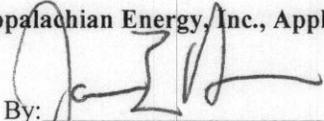
6. **Formations subject to application:** All coal beds and coal seams including all Pennsylvania aged coals from the top of the Raven, but not limited to: Seaboard, Greasy Creek, Horsepen, War Creek, Poca 3, Poca 1, and any unnamed coal seams and other associated formations known as the Nora Coalbed Gas Field.

7. **Plat:** See Exhibit A annexed hereto.

8. **The boundaries and acreage affected:** see Exhibit A annexed hereto.

9. **Attestation:** The foregoing application to the best of my knowledge, information and belief is true and correct.

Appalachian Energy, Inc., Applicant

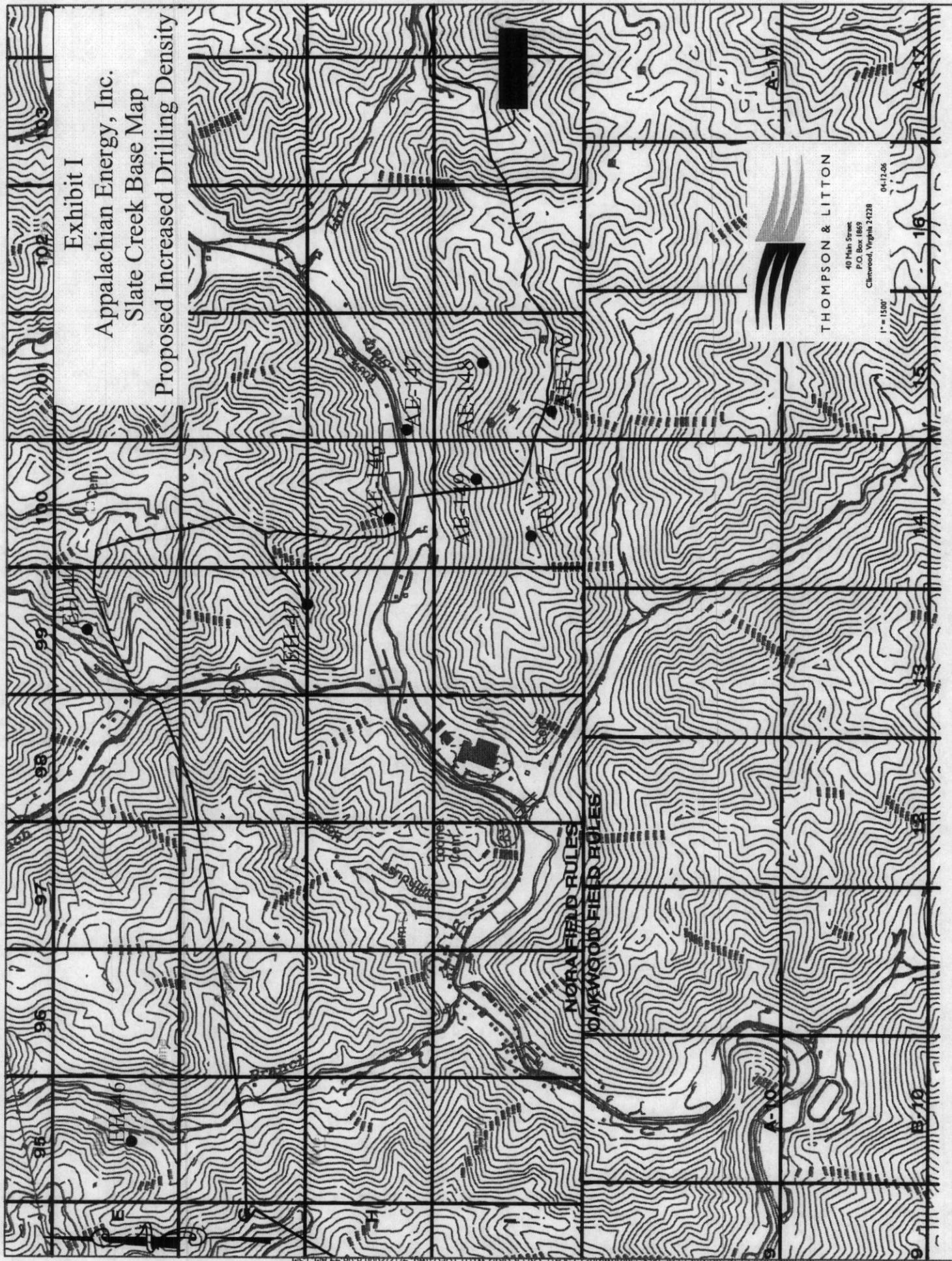
By: 

James E. Kaiser
220 Broad Street, Suite 202
Kingsport, TN 37660
(423) 578-3838

Exhibit I

Appalachian Energy, Inc.
Slate Creek Base Map

Proposed Increased Drilling Density



THOMPSON & LITTON

40 Main Street
P.O. Box 1869
Clinwood, Virginia 24228

1" = 1500'
04-12-06

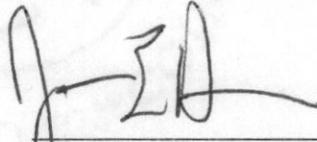
AFFIDAVIT OF DUE OF DILIGENCE

**COMMONWEALTH OF VIRGINIA
COUNTIES OF BUCHANAN & TAZEWELL**

I, James E. Kaiser, after being duly sworn upon oath, state as follows:

1. I am responsible for the notification process required by VA. Code Ann. § 45.1-361.19 and VR 480-05-22.2 § 4.
2. That Appalachian Energy, Inc. has exercised due diligence in attempting to locate and notice all owners and claimants who are unleased and/or who were not previously pooled by prior order(s) of the Virginia Gas and Oil Board regarding **the Nora Coalbed Gas Real**, all as required by Va. Code Ann. § 45.1-361.19 and VR 480-05-22.2.
3. That on **April 14, 2005** a true and correct copy of the Notice of Hearing with Exhibits will be mailed, via certified mail return receipt requested, to all owners and claimants listed in Exhibit b-3 for whom mailing addresses were then available.
4. That every individual or entity having an unleased or unpooled interest in the methane gas underlying the tracts in the **Nora Coalbed Gas Field/ 1-101, 1-100, and I-99** units, whether known or unknown, including those persons whose mailing address were unknown, was notified of the filing of Appalachian Energy Inc.'s application by publication of the Notice of Hearing in the Coalfield Progress.
5. That Appalachian Energy Inc. will continue to exercise due diligence in attempting to locate and identify the names and/or addresses of any unknown of unlocatable parties and, if located or identified, will notify them of Appalachian Energy Inc. application.

I have read the foregoing, and the information given above is true and correct to the best of my knowledge and belief.



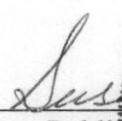
James E. Kaiser
Counsel for
Appalachian Energy, Inc.

ACKNOWLEDGMENT

STATE OF TENNESSEE

COUNTY OF SULLIVAN

TAKEN, SUBSCRIBED AND SWORN to before me this 14th day of April, 2006.


Notary Public

My commission expires: 11-12-08

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: Appalachian Energy Inc.

DIVISION OF GAS AND OIL
DOCKET NO. 89-1026-009-03

RELIEF SOUGHT: MODIFICATION OF
NORA COALBED GAS FIELD

AFFECTED UNITS: Multiple (See Attached Exhibit A)

NOTICE OF HEARING

HEARING DATE: May 16, 2006

PLACE: Southwest Virginia Higher Education Center
Campus of Virginia Highlands Community College
Abingdon, Virginia

TIME: 9:00 a.m.

COMMONWEALTH OF VIRGINIA:

To: See Exhibit "B" attached hereto:

1. **Applicant and its counsel:** Applicant is Appalachian Energy Inc., P.O. Box 2406, Abingdon, Virginia, 24212, (276) 988-1000. Applicant's Counsel is James E. Kaiser, 220 Broad Street, Suite 202, Kingsport, TN 37660, (423) 578-3838.

2. **Relief sought:** (1) Modification of the Nora Coalbed Methane Gas Field Rules, to allow more than one coalbed gas well to be drilled within each of the 69.66 acre Nora Units identified above. (2) For an administrative order providing that additional well permits may be issued in the Nora Field after this application is filed and while it is pending.

3. **Legal authority:** 4 VAC 25-160-50 and § 45.1-361.20 of the Code of Virginia.

4. **Proposed provisions of order sought:** That additional coalbed methane gas wells may be drilled in each of the above referenced Nora Units; that the second well drilled in each of the said Units need not be located within the Nora drilling window of the Unit in which the well is drilled; that the second wells may be located within 300 feet of Unit boundaries and need not be more than 600 feet from the nearest coalbed methane well; and that production/royalties from each coalbed methane well drilled in the said Units shall continue to be allocated solely to the owners and claimants of and to the coalbed methane within the Unit in which the well is located.

BEFORE THE VIRGINIA GAS AND OIL BOARD

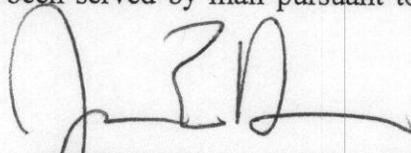
Applicant: Appalachian Energy, Inc.)
)
)
Relief Sought: Modification of the Nora Coalbed Methane) Docket No.
Gas Field Rules, to allow more than one coalbed gas well to) VGOB-89-1026-0009-03
be drilled and an order providing additional well permits)
)
)

AFFIDAVIT OF MAILING
(CERTIFICATE OF SERVICE)

STATE OF TENNESSEE)
)
COUNTY OF SULLIVAN)

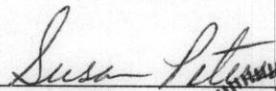
James E. Kaiser, of lawful age, being duly sworn, upon oath, deposes and says:

- (1) He is a partner with WILHOIT & KAISER, Agent for Appalachian Energy, Inc. ("AEI") and makes this affidavit on behalf of AEI.
- (2) Based upon information and belief, the names and last-known addresses, where such addresses are known, of the parties owning an interest in the oil and gas in this cause are set forth and attached hereto.
- (3) On the 14th day of April, 2006, true and correct copies of the Application and the Notice of Hearing in this matter were placed in the United States mail in Kingsport, TN, certified mail, return receipt requested, postage prepaid, duly addressed to the unleased parties at their respective addresses as set forth in the attached Exhibit B which is hereby made a part of this Affidavit.
- (4) Notice of this cause has therefore been served by mail pursuant to the applicable statutes and rules of the Board.



James E. Kaiser

SUBSCRIBED AND SWORN TO before me this 9th day of May, 2006.



Notary Public

My commission expires: 11-12-08

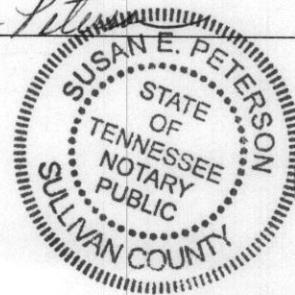


EXHIBIT "B"

Barbara K. Oakley
440 Arlington Ave. 4702 8845 Apr. 19, 2006
Bristol, VA 24201

Selma S. Kelly and
Barbara Kelly Oakley,
Trustees of the Trust created
By the Will of Robert W. Kelly Jr. 4702 8852 Apr. 19, 2006
440 Arlington Ave.
Bristol, VA 24201

Ann Wood Kelly
Box 272 4702 8869 Apr. 27, 2006
Reedville, VA 22539

Elizabeth K. Whitman 4702 8876 Apr. 24, 2006
10 Kenwood Road
Tenafly, NJ 07670

James M. Kelly 4702 8883 Apr. 21, 2006
12 Madrono Ct.
Corte Madera, CA 94925

Edith K. Bales 4702 8890 Apr. 20, 2006
1940 Terwood Road
Huntington Valley, PA 19006

Caroline K. Maynard
220 Fairway Drive
Nacogdoches, TX 75964
unclaimed Apr. 27, 2006
4702 9248

Lowry Stuart Kelly
722 Sinyard Circle
Hiram, GA 30141
4702 9255 Apr. 20, 2006

Minnie Kelly Hunt
1106 Northshore Drive
Sunset Beach, NC 28468
4702 9262 Apr. 20, 2006

William C. Kelly
6121 Lane Place
Downers Grove, IL 60516
4702 9279 Apr. 24, 2006

Charles J. Lowry
49 Kingsbridge
Bristol, TN 37620
4702 9163 Apr. 18, 2006

EXHIBIT "B"

Brenda Puckett Tate 2137 Harpoon Drive Stafford, VA 22554	4702 8900	Apr. 26, 2006
Rhonda Gail Bingel 246 Vine Place Stafford, VA 22554	4702 8913	Apr. 21, 2006
Edith Breeding Yates c/o Rebecca Stiltner P.O. Box 397 Big Rock, VA 24603	4702 8920	Apr. 19, 2006
Frances Loredith Yates HCR 76, Box 406 Big Rock, VA 24603	4702 8937	Apr. 18, 2006
Robin Renee Fletcher HCR 76, Box 406 Big Rock, VA 24603	4702 8944	Apr. 18, 2006
Glenn Thomas Yates 142 Mill Lane Yorktown, VA 23692	4702 8951	Apr. 24, 2006
Harry Eugene Yates HCR 72, Box 408 Big Rock, VA 24603	4702 8968	Apr. 18, 2006
Carl Eugene Looney P.O. Box 1050 Grundy, VA 24614	4702 8975	Apr. 19, 2006
Clyde Looney 4256 Willowdale Road Springfield, OH 45502	4702 9286	Apr. 21, 2006
Shirley Matney P.O. Box 153 Vansant, VA 24656	4702 9293	Apr. 19, 2006
Leon Troy Looney P.O. Box 93 Vansant, VA 24656	4702 9309	Apr. 18, 2006

EXHIBIT "B"

Laurena Yates
Route 5, Box 136
Grundy, VA 24614

Edith Faye Compton
Route 5, Box 137
Grundy, VA 24614

4702 9187 Apr. 19, 2006

Linda Nancy Yates
Route 5, Box 138
Grundy, VA 24614

4702 9194 Apr. 19, 2006

Cornelius Rife
HC 61 Box 28
Grundy, VA 24614

4702 9200 Apr. 18, 2006

Alta Yates Cox
Route 5, Box 135E
Grundy, VA 24614

4702 9217 Apr. 19, 2006

Buford Yates
Route 5, Box 137A
Grundy, VA 24614

4702 9224 Apr. 19, 2006

Dolly M. Yates
c/o William G. Yates, POA
1781 Shipley Ferry Road
Kingsport, TN 37663

4702 9354 Apr. 18, 2006

Linkous Yates
P.O. Box 68
Grundy, Va 24614

4702 9132 May. 1, 2006

Ola Gay Fletcher
P.O. Box 598
Grundy, VA 24614

4702 9149 Apr. 18, 2006

Carol Rivera
8518 Barrens Road
Roanoke, VA 24019

4702 9125 Apr. 24, 2006

Larry Lee Puckett
246 Vine Place
Stafford, VA 22554

4702 9231 Apr. 21, 2006

EXHIBIT "B"

Roy James Yates
302 Stanaford Road
Beckley, WV 25801

47029316/5-4-06/Unclaimed

Tommy Arthur Yates
~~14320 Heather Drive~~
Bristol, VA 24202

23127 Kestrel Dr. 4702 9323 Apr. 27, 2006

Joyce Ann Bach
P.O. Box 477
West Liberty, KY 41472

4702 9330 Apr. 20, 2006

Marta McKenzie
721 San Marino Drive
Lady Lake, FL 32159

4702 9347 Apr. 24, 2006

Marling Potter
341 Glenn Ave.
West Liberty, KY 41472

4702 9095 Apr. 21, 2006

Lawrence Jackson
Grand Court
Bristol View Drive
Bristol, VA

James Stewart Yates
515 Dogwood Drive
Liberty, NC 27298

4702 9118 Apr. 21, 2006

Ernest Warren Yates
167 Rustling Oak Ridge
Yorktown, VA 23692

4702 9156 Apr. 24, 2006