

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

IN RE:

Application of Pocahontas Gas Partnership
for Formation of a Production Unit
Known as BUN1 for the Production of
Sealed Coalbed Methane Gob Gas, VGOB No. 0618-127
in the Hurricane Magisterial District of
Buchanan County, Virginia

This cause came on this 18th day of June, 1991, upon the application of Pocahontas Gas Partnership requesting that this Board establish and create a drilling unit for the production of coalbed methane gas from sealed, mined-out gob areas of longwall panels of Consolidation Coal Company's Buchanan No. 1 mine in the Hurricane Magisterial District of Buchanan County, Virginia and to establish boundaries of the pool for production of coalbed methane gas from the sealed gob area known as BUN1.

Based upon the evidence presented, the Board finds that Notice of the filing of the application herein and of the time, date and place of hearing thereon was duly and properly given to each owner or potential owner of record having an interest in the coalbed methane gas below the Tiller seam of coal underlying

the tracts within the proposed unit and pool covered hereby as required by Section 45.1-361.19 of the Code of Virginia, 1950 as amended. The Board examined the notice as given and further conducted inquiry into the sufficiency of Pocahontas Gas Partnership's search to determine names and whereabouts of owners or potential owners who may be affected by formation of a

1. Hugh McKee Land Trust, P. O. Box 29, Tazewell, VA
2. Pittsburgh, PA 15241
3. Norfolk Southern Railroad, 8 North Jefferson Street, O. Box 950, Grundy, VA 24614
4. E. Stiltner, Box 243, Oakwood, VA 24631

unit and determination of a pool to produce coalbed methane gas from sealed gob areas of mined-out portions of Consolidation Coal Company's longwall mining operation at the Buchanan No. 1 mine in Buchanan County, Virginia.

The Board finds that Pocahontas Gas Partnership has exercised due diligence and conducted a meaningful search of reasonably available sources at hand, including, but not limited to, grantor/grantee indexes, deed books, will records, tax records, local telephone books, and conducted conversation and correspondence with interested parties. The Board hereby approves the notice as given, by publication and otherwise, as meeting the statutory requirements, rules of the Board, and minimum standards of state and federal due process, and finds that notice has been given in all respects as required by law and the rules of this Board.

Based upon the evidence presented, the Board finds that the following named persons may be owners of coalbed methane gas interests below the Tiller seam of coal in the proposed sealed gob area unit and pool involved herein:

1. Hugh McRae Land Trust, P. O. Box 29, Tazewell, VA 24651
2. Consolidation Coal Company, 1800 Washington Road, Pittsburgh, PA 15241
3. Norfolk Southern Railroad, 8 North Jefferson Street, Roanoke, VA 24042-0026
4. Buchanan County, Attention: County Administrator, P. O. Box 950, Grundy, VA 24614
5. E. Stiltner, Box 243, Oakwood, VA 24631

6. Clinton Don Wood, Drawer L, 414 Ann Street, Frankfort, KY 40602
7. Burton Richard and Elsie May Stiltner, Box 4, Mavisdale, VA 24627
8. Permac, Inc., P. O. Box 1614, Bluefield, WV 24701
9. Daniel Richard and Elsie Violet Justice, Box 99, Oakwood, VA 24631
10. Cleman Eugene and Virginia E. Justice, Box 99, Oakwood, VA 24631
11. Pocahontas Gas Partnership, P. O. Box 210, Mavisdale, VA 24627
12. Michael Leon Justice, Box 109, Oakwood, VA 24631
13. Melvin Ashby, c/o John Ashby, Box 175, Grundy, VA 24614
14. Raymond J. Street, Trustee, P. O. Box 1460, Grundy, VA 24614
15. H. A. Street, Trustee, Street, Street, Street, Scott and Bowman, Drawer 2100, Grundy, VA 24614
16. N. D. Street, Trustee, Street, Street, Street, Scott and Bowman, Drawer 2100, Grundy, VA 24614

Based upon the evidence presented and Section 45.1-361.1, the Virginia Gas and Oil Board interprets gob area as including the de-stressed zones associated with the rubble area remaining after full seam mining of coal and extending above and below into areas in communication with the gob rubble resulting from fracturing associated with full seam extraction mining methods. The Board concludes, based upon the testimony of Mr. Randy Albert, Project Manager for Pocahontas Gas Partnership, that the gob area will extend from the base of the Pocahontas No. 2 coal

seam upward to and result in common communication of all seams and areas below the Tiller seam of coal.

Based upon the evidence presented, the Board finds that, in order to avoid drilling of unnecessary wells, prevent the various types of waste and protect the correlative rights of all owners and potential owners of coalbed methane gas below the Tiller seam of coal with respect to the proposed sealed gob area unit and pool involved herein that it is most efficient and economical method to recover market and produce coalbed methane gas to create a drilling unit and pool that would consist of eight (8) sealed longwall panels of Consolidation Coal Company's Buchanan No. 1 mine as shown on Pocahontas Gas Partnership's Exhibit "B", which is attached hereto and made part hereof and bounded according to the Virginia (South) and (Rectangular) State Plane Coordinates Systems as follows:

Beginning at N 327114.26 E 982019.47, thence to N 327065.60 E 983738.78, thence to N 328904.86 E 983790.84, thence to N 328810.36 E 987129.50, thence to N 321483.30 E 986922.10, then to the Beginning, containing a total of 778 acres.

Based upon the evidence presented, the Board finds that conversion of eight (8) existing vertical ventilation holes to sealed gob area coalbed methane gas wells within the BUN1 unit should provide efficient drainage. However, mine safety may necessitate that other existing vertical ventilation holes be permitted and converted to sealed gob area coalbed methane gas wells and that at any time during the course of production from this unit, when mine safety dictates, the coalbed methane gas

may be vented to the atmosphere to ensure that the conditions underground at the Buchanan No. 1 mine remain safe.

Based upon the evidence presented at the public hearing, the Virginia Gas and Oil Board finds that any well within the BUN1 unit and pool should not be located at any point closer than 300 feet to the boundaries of the BUN1 unit, and should, in no event, be located closer than 300 feet to any other coalbed methane well completed in the BUN1 unit and pool unless an exception is granted by the Virginia Gas and Oil Inspector for purposes of protecting mine property and worker safety or in order to allow well spacing to conform and correspond to mine development plans and operations.

Based upon the evidence presented at the public hearing in this matter and the lack of objection thereto, the Virginia Gas and Oil Board ORDERS as follows:

1. The Board grants the application of Pocahontas Gas Partnership to establish and create a unit and pool known as BUN1 for production of coalbed methane gas from sealed gob areas, separate and distinct from and not in communication with any other common accumulation of coalbed methane gas consisting of eight (8) sealed, previously mined longwall panels in Consolidation Coal Company's Buchanan No. 1 mine as shown on Pocahontas Gas Partnership's Exhibit "B", which is attached hereto and made a part hereof and bounded according the Virginia (South) (Rectangular) State Plane Coordinates System as follows:

Beginning at N 327114.26 E 982019.47, thence to N 327065.60 E. 983738.78, thence to N 328904.86 E 983790.84, thence to N 328810.36 E 987129.50, thence to N 321483.30 E 986922.10, thence to the Beginning, containing a total of 778 acres.

The formation of this unit and pool is to allow Pocahontas Gas Partnership to produce coalbed methane gas from sealed mined out gob areas consisting of the de-stressed zones associated with the rubble area remaining after full seam mining of coal and extending above and below into areas in communication with the gob rubble resulting from fracturing associated with full seam extraction mining methods. This gob unit and pool extends from the top of the Pocahontas No. 2 seam of coal up to, but not including, the Tiller seam of coal.

2. Pocahontas Gas Partnership may permit and convert a minimum of eight (8) existing vertical ventilation holes to coalbed methane gas wells to produce coalbed methane gas from the sealed gob area designated as the BUN1 unit and pool. Leave is granted to Pocahontas Gas Partnership to apply for permits to convert as many vertical ventilation holes to coalbed methane gas wells as may be necessary to economically and efficiently drain the BUN1 unit and pool. No coalbed methane gas well in the BUN1 unit and pool shall be located closer than 300 feet from the boundaries of the BUN1 unit. No coalbed methane gas well in the BUN1 unit shall be located closer than 300 feet from any other coalbed methane gas well. The Virginia Gas and Oil Inspector is hereby given discretion to grant exception to the 300 foot spacing restriction, upon proper application when

necessary to protect mine property and worker safety or to conform and correspond to demonstrated mine development plans and operations.

3. To ensure mine worker safety and protect mine property, coalbed methane gas may be vented to the atmosphere at any time through either coalbed methane gas wells or vertical ventilation holes in the BUN1 unit. The venting of coalbed methane gas from the BUN1 unit shall occur when conditions at Consolidation Coal Company's Buchanan No. 1 mine dictate and may continue as long as necessary. The Board interprets such venting as necessary to protect mine worker safety and protect mine property and not constituting any form of waste.

Done and executed this 9th day of August, 1991, by a majority of the Virginia Gas and Oil Board.

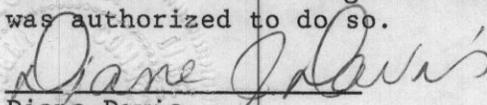
Benny R. Wampler
CHAIRMAN

Done and performed this 9th day of August, 1991, by Order of this Board.

Byron Z. Johnson
Principal Executive to the Staff
Virginia Gas and Oil Board

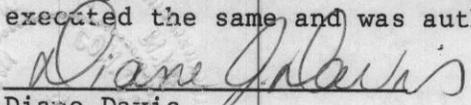
State of Virginia
County of Washington

Acknowledged on this 9th day of August, 1991, personally before me a notary public in and for the State of Virginia appeared Benny Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.


Diane Davis
Notary Public
My commission expires 9/23/92

State of Virginia
County of Washington

Acknowledged on this 9th day of August, 1991, personally before me a notary public in and for the State of Virginia appeared Byron Thomas Fulmer, being duly sworn did depose and say that he is Principal Executive to the Staff of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.


Diane Davis
Notary Public
My commission expires 9/23/92