

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

IN RE:

Application of Oxy USA, Inc. to Amend the Order
Pooling of Interests in a Drilling Unit
Affected by Well Number EH-36, VGOB 96-11, VGOB 91-0820-140
in the Garden Magisterial District of Buchanan County, Virginia

This cause came on this 20th day of August, 1991, upon the application of Oxy USA, Inc. requesting that this Board amend its order pooling the interests of well operators in the 160.6-acre (plus a tolerance of 15%) drilling unit in the Garden Magisterial District of Buchanan County, Virginia and include Oxy USA, as an owner of a gas or oil interest. Notice of the filing of the application herein and of the time, date and place of the hearing thereon was duly and properly given to the well operator of record and Oxy USA, Inc.'s as required by Section 45.1-361.19 of the Code of Virginia, 1950 as amended. Based on the evidence presented, the Board finds that Edwards and Harding Petroleum Company petitioned this Board for an order pooling the interest of all well operators in the EH-36 unit. Oxy USA, Inc. owns an interest pursuant to its leases with Mary F. Selle, Dean Cole, et ux and Therman G. Cooper, et ux in the development and production of natural gas from the EH-36 unit. Oxy USA, Inc. was not listed in Edwards and Harding Petroleum Company's application to this Board. Oxy USA, Inc. now desires to be afforded an opportunity to make an election to participate or not participate in the development and production of natural gas from this pooled acreage.

Based upon the evidence presented at the public hearing in this matter, the Virginia Gas and Oil Board orders as follows:

(1) The interests of Oxy USA, Inc. in this pooled unit established in the lands involved herein are hereby pooled for the development and operation of this unit.

(2) Oxy USA, Inc., shall, within 30 calendar days after the date of mailing this Order, deliver to Edwards and Harding Petroleum Company, a written election either to participate in the operation of the well covered hereby or to exercise such well operator's right of election under this order as described below. A timely election shall be deemed to have been made if a well operator on or before the last day of such 30 calendar day period has sent such written election by telegram or telegraph to Edwards and Harding Petroleum Company or has had such written election duly postmarked and has placed such written election in the United States mail, first class, postage prepaid, duly addressed to Edwards and Harding Petroleum Company at the address set forth above. The alternatives afforded to Oxy USA, Inc. are set forth below.

Each well operator herein pooled in the drilling unit involved herein is accorded the following options as to such interest:

(a) Participation: To participate in the working interest in and the development of the natural gas in the drilling unit involved herein by agreeing to pay such well operator's proportionate part of the actual cost of drilling, completing, equipping, operating, plugging and abandoning of the well covered hereby and by paying as set forth herein, to Edwards and Harding Petroleum such owner's proportionate part of the \$239,558.00

estimated cost of drilling, completing, equipping, operating, plugging and abandoning of the proposed well covered hereby. A participating well operator's proportionate part of the anticipated cost of completion and share of the production from such well shall be in the proportion that the number of net mineral acres in the unit owned by such party bears to the entire number of mineral acres in this unit; or

(b) Carried interest: In lieu of participating in the working interest in and the development of the pool in this drilling unit, as set forth in subparagraph (i) above, to elect to share in the operation of the well covered on a carried basis (as a carried well operator) so that the proportionate part of the actual cost of drilling, completing, equipping, operating, plugging and abandoning of such well allocable to such carried well operator's interest is charged against such carried well operator's share of production from such well. All of such carried well gas rights in the pool in the drilling unit involved herein are relinquished under this order to Edwards and Harding Petroleum Company until the proceeds from the sale of the share of production from such well accruing to such carried well operator's unleased interest in the drilling unit involved herein, exclusive of any royalty, excess or overriding royalty, or other non-operating or non-cost bearing burden reserved in any lease, assignment thereof or agreement relating thereto covering such interest, equals three hundred percent (300%) for a leased interest or two hundred percent (200%) for an unleased interest of the share of the cost of

drilling and completing the well allocable to the interest of such carried well operator; plus one hundred percent (100%) of the carried operator's share of the cost of surface equipment beyond the wellhead connection of such well allocable to the interest of such carried well operator; plus one hundred percent (100%) of the share of the cost of operating such well allocable to the interest of such carried well operator. Such carried well operator's proportionate part of the costs of, and the production from, the well covered hereby is to be in the proportion that the number of net mineral acres in the unit covered by the interest owned or potentially owned by such carried well operator bears to the entire number of mineral acres in such unit. During the period of time Edwards and Harding Petroleum Company is entitled to receive such carried well operator's share of production or the proceeds therefrom, Edwards and Harding Petroleum Company shall pay all applicable production, severance, excise, gathering and any other taxes based upon or measured by the value or amount of production and shall separately calculate and pay to such carried well operator for payment to the appropriate owner any royalty, excess or overriding royalty and any other non-operating or non-cost bearing burden reserved in any lease, assignment thereof or agreement relating thereto which is deducted from the share of production of such carried well operator. Such royalty, excess or overriding royalty and other non-operating or non-cost bearing burden is not to be subject to any charge for operating costs. Payment by Oxy USA, Inc. to such carried well operator of any such

royalty, excess or overriding royalty or other non-operating or non-cost bearing burden shall be made within ninety (90) days after the end of the calendar month within which the production subject to such burdens is sold. Within sixty (60) days after the completion of the well covered hereby, Edwards and Harding Petroleum shall furnish such carried well operator an inventory of the equipment in and connected to such well and an itemized statement of the cost of drilling, completing and equipping such well for production; and for each month thereafter, during the time Edwards and Petroleum Company is being reimbursed as provided above, Edwards and Harding Petroleum Company shall furnish to such carried well operator an itemized statement of all costs and liabilities incurred in the operation of such well, together with a statement of the quantity of gas produced therefrom and the amount of proceeds realized from the sale of the production allocable to such carried well operator's interest in the unit during the preceding month. Edwards and Harding Petroleum Company shall also furnish to the State Gas and Oil Inspector, copies of the same statements furnished to each carried well operator under the provisions hereof. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any operation on the well covered hereby which would have been owned by such carried well operator had such owner participated therein as a participating well operator shall be credited against the total uncovered well costs in determining when the interest of such carried well operator shall revert to such owner as described

above. When Edwards and Harding Petroleum Company recovers from such carried well operator's relinquished interest provided for above, the relinquished interest of such carried well operator shall automatically revert to such owner, and from and after such reversion, such carried well operator shall be treated as a participating well operator and shall own the same interest in such well, the material and equipment in or pertaining thereto and the production therefrom, as such owner would have been entitled to had such owner participated initially as a participating well operator in the drilling, completing and equipping of such well; and thereafter, such owner shall be charged with and shall pay the owner's proportionate part of the further costs of the operation of such well.

(c) Cash Consideration: In lieu of participating in the working interests in and the development of the drilling unit involved herein, any owner of an unleased interest may elect to receive a sum of ONE DOLLAR (\$1.00) per net mineral acre owned by such owner, plus a total royalty in the amount of one-eighth of eight-eighths ($1/8$ th of $8/8$ ths) of the gas and gas condensate produced from the well covered by this Order, the same to be delivered into the lease tanks or into the pipelines to which such well is connected, free and clear of all costs, expenses and risks incurred in or in connection with drilling, equipping, operating, completing, plugging and abandoning of such well. Any well operator electing this option shall deliver under this Order a net revenue interest of 87.50% of $8/8$ ths of the gas and gas condensate

produced from the well covered by this Order, with such net revenue interest being determined by deducting from such owner's share of production the royalty provided for immediately above; and provided further, that such royalty of 1/8th of 8/8ths and such net revenue interest of 87.50% of 8/8ths shall be proportionately reduced and payable only in the proportion that the number of net mineral acres in the drilling unit covered by such well operator bears to the entire number of mineral acres in this unit; or

(3) In the event a well operator, who is subject to the provisions of this Order shall fail to timely and properly elect, in writing, one of the applicable options as set forth above, such well operator shall be deemed to have elected not to participate in the working interest in the well covered hereby and shall be deemed to have leased his interest to the designated gas well operator. In the event a well operator, either an owner of a lease interest or an owner of an unleased interest, who is subject to the provisions of this Order shall elect to act as a participating well operator under 2(a) or (b) above, whichever is applicable, but thereafter fail or refuse to pay or secure the payment of such well operator's proportionate part of the cost of the well covered hereby as set forth in such provisions, such election to act as a participating operator under this Order shall be null and void and such well operator shall become a carried well operator consistent with the terms and provisions of this Order.

(4) Edwards and Harding Petroleum Company, in addition to any other rights afforded such party under the laws of Virginia, shall

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have a lien on the mineral leasehold estate or rights owned by the other well operators involved herein in the unit covered hereby and upon their shares of the production from the well covered hereby to the extent that costs incurred in the development and operation of the drilling unit involved herein are a charge against such interests. Such liens shall be separable as to each separate well operator and shall remain a lien until all costs incurred in connection with the well have been paid. Upon the failure or refusal of any participating well operator to pay such well operator's proportionate part of any cost incurred hereunder in connection with the well covered hereby, shall be entitled to receive the share of production from the well accruing to such defaulting participating well operator's interest in the unit involved herein, or the proceeds from such share, until such proportionate part of such cost has been paid. No part of the production or proceeds accruing to any participating well operator shall be applied toward payment of costs chargeable to any other interest in such unit. If any participating well operator fails or refuses to pay such well operator's proportionate share of the cost incurred hereunder in connection with the well covered hereby within sixty (60) days after rendition of a statement therefore by Edwards and Harding Petroleum Company, the non-defaulting participating well operators, including Edwards and Harding Petroleum Company, shall, upon request by Edwards and Harding Petroleum, pay the unpaid amount in the proportion that the interest of each such non-defaulting participating well operator

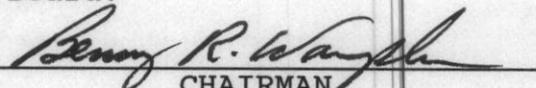
bears to the total interests of all such non-defaulting well operators. In such event, each non-defaulting participating well operator so paying such well operator's share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the lien rights described above.

(5) Edwards and Harding Petroleum Company shall, within thirty (30) days, after completion, tender to the State Gas and Oil Inspector an itemized statement reflecting the actual cost of drilling, equipping, completing, plugging and abandoning the well. Additional itemized statements reflecting actual operating costs shall be furnished to the State Gas and Oil Inspector on a quarterly basis. If the actual costs of drilling, completing, equipping, plugging and abandoning the well is different than Oxy USA, Inc.'s estimates, appropriate adjustments to the burdens imposed on each participating or carried operator's share shall be made.

(6) Edwards and Harding Petroleum Company shall cause a certified copy of this Order to be mailed to the last known address of each well operator as listed in this Order.

The relief granted by this Order is to avoid the drilling of unnecessary wells, prevent the various types of waste or gas and protect the correlative rights of all owners with respect to the pools in the drilling unit involved herein.

Done and executed this 30th day of September, 1991, by a majority of the Virginia Gas and Oil Board.


CHAIRMAN

Done and performed this 30th day of September,
1991, by Order of this Board.

Lynn J. Palmer
Principal Executive to the Staff,
Virginia Gas and Oil Board

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State of Virginia
County of Washington

Acknowledged on this 30th day of September, 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 J. Davis

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

State of Virginia
County of Washington

Acknowledged on this 30th day of September, 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 J. Davis

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

VIRGINIA: In the Clerk's Office of the Circuit Court of Buchanan County. The foregoing instrument was this day presented in the office aforesaid and is, together with the certificate of acknowledgment annexed, admitted to record this 1st day of Oct, 1991, 1:23 P. M.
Deed Book No. 381 and Page No. 9

TESTE: *Jan 26 91* Clerk

2443

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CLERK'S OFFICE CIRCUIT COURT
BUCHANAN COUNTY, VIRGINIA
Filed and admitted to record.

this 15th day of Oct 19 91
at 1:23 o'clock P M.
Recorded Dead Book 381 Page 9

039 State Tax	
213 County Tax	
212 Transfer	
301 Recording	21.00
518 Plats	
038 State Tax	
Sec. 58.1-902	
220 Local Tax	
Sec. 58.1-902	
145 VSUF	1.00
Total	22.00

Tester Jay Riba, Jr., Clerk
By _____ D.C.

Department of Mines,
Mineral & Energy
P.O. Box 1416
Abingdon, VA 24210