

V I R G I N I A:

BEFORE THE VIRGINIA GAS AND OIL BOARD

IN RE:

Application of Edwards & Harding Petroleum Company  
for Pooling of Interests in a Drilling Unit  
Affected by Well Number EH-86, VGOB No. 91/10/15-0156 in the  
Sand Lick Magisterial District of Dickenson County,  
Virginia

BOARD ORDER

THIS MATTER came on this 19th day of November, 1991, upon the application of Edwards & Harding Petroleum Company requesting that this Board pool the interests of conventional oil and gas owners in the formations underlying Well No. EH-86, VGOB NO. 91/10/15-0156 as shown on the attached plat in the Sand Lick Magisterial District of Dickenson County, Virginia.

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 each owner of record having an interest in the oil and gas underlying the tracts within the drilling unit 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 Edwards & Harding Petroleum Company's search to determine the name and whereabouts of owners who may be affected by the pooling of conventional oil and gas interests in the drilling unit involved herein. The Board finds that Edwards & Harding Petroleum Company has exercised due diligence and has conducted

a meaningful search of reasonably available sources at hand, including, but not limited to grantor/grantee indexes, will records, tax records, local telephone books, conversations and correspondence with interested parties and other available sources. The Board hereby approves the notice 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 Edwards & Harding Petroleum Company has acquired conventional oil and gas leasehold interests in the drilling unit as described in the map, which is attached hereto as Exhibit "A", and made a part hereof, and has the right to conduct operations on its conventional oil and gas leasehold interests. Based on the evidence presented, the Board finds that the following named persons are owners of conventional oil and gas interests, which are held by lease or other agreement or are unleased owners who have not voluntarily agreed to pool their interests in the drilling unit involved herein for its development and operation.

1. Robert Briest, 29806 Spoon Avenue, Madison Heights, MI 48071-4447
2. Alfred Eugene Sutherland, Box 34, Haysi, VA 24256

Based upon the evidence presented, the Board finds that, in order to avoid the drilling of unnecessary wells, prevent the

various types of waste of conventional oil and gas and protect the correlative rights of all owners with respect to the pools in the drilling involved herein, the gas and oil owners involved who have not heretofore reached an agreement with respect to development and operation of the drilling unit covered hereby shall be required to pool their conventional oil and gas interests and develop the pools in this drilling unit, upon the terms and conditions set out in this order, all of which terms and conditions are found, after consideration of the evidence presented in this cause, to be supported by substantial evidence and to be just, reasonable and equitable and such as will afford each owner in this unit the opportunity to recover or receive each such gas and oil owner's just and equitable share of production from this unit.

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

(1) The conventional oil and gas interests of owners, as named above, in this 125.59-acre drilling unit established in the lands involved as shown on the survey attached hereto as Exhibit A are hereby pooled for the development and operation of this unit. Edwards & Harding Petroleum Company is hereby authorized to drill, complete and operate a well in this drilling unit so as to produce oil and gas from the pooled acreage, consistent with the terms and provisions of its applicable well work permit.

(2) Each gas and oil owner involved herein other than Edwards & Harding Petroleum Company shall, within 30 calendar days after the date of receipt of this Order, deliver to Edwards & Harding Petroleum Company, a written election to either participate in the operation of the well covered hereby or to exercise such owner's right of election under this Order as described below. A timely election shall be deemed to have been made if an owner, on or before the last day of such 30 calendar day period, has sent such written election by telegram or telegraph to Edwards & Harding Petroleum Company at P. O. Box 2404, Abingdon, VA 24210 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 & Harding Petroleum Company at the address set forth above. The alternatives afforded to the owners of oil and gas herein pooled are set forth below.

Each gas and oil owner herein pooled owning a conventional oil and gas interest as to the formations underlying the proposed drilling unit from any tract within 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 formations in the drilling unit involved herein by agreeing to pay such owner'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 & Harding Petroleum Company, such owners's proportionate part of the \$256,120 estimated cost of drilling, completing, equipping, operating, plugging and abandoning of the proposed well covered hereby. A participating owner'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 covered by the oil and gas rights 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 this drilling unit, as set forth in subparagraph (a) above, to elect to share in the operation of the well covered on a carried basis (as a carried owner) so that the proportionate part of the actual cost of drilling, completing, equipping, operating, plugging and abandoning of such well allocable to such carried owner's interest is charged against such carried owner's share of production from such well. All of such carried owner's oil and gas rights in the conventional oil and gas pools in the drilling unit involved herein are relinquished under this Order to Edwards & Harding Petroleum Company until the proceeds from the sale of the share of production from such well accruing to such carried owner's conventional oil and gas 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 oil and gas interest of such carried owner; plus one hundred percent (100%) of the carried owner's share of the cost of surface equipment beyond the wellhead connection of such well allocable to the oil and gas interest of such carried owner; plus one hundred percent (100%) of the share of the cost of operating such well allocable to the conventional oil and gas interests of such carried owner. Such carried owner's proportionate part of the cost 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 conventional oil and gas interest owned by such carried owner bears to the entire number of mineral acres in such unit. During the period of time Edwards & Harding Petroleum Company is entitled to receive such carried owner's share of production or the proceeds therefrom, Edwards & 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 owner 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 owner. 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 Edwards & Harding Petroleum Company to such carried owner for 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 & Harding Petroleum Company shall furnish such carried owner 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 & Harding Petroleum Company is being reimbursed as provided above, Edwards & Harding Petroleum Company shall furnish to such carried owner an itemized statement of all such costs and liabilities incurred in the operation of such well, together with a statement of the quantity of conventional oil and gas produced therefrom and the amount of proceeds realized from the sale of the production allocable to such carried owner's conventional oil and gas interest in the unit during the preceding month. Edwards & Harding Petroleum Company shall also furnish to the State Gas and Oil Inspector for the Commonwealth of Virginia, copies of the same statements furnished to each carried owner 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 owner had such owner participated therein as a participating owner shall be credited against the total unrecovered well costs in determining when the interest of such carried owner shall revert to such owner as described above. When Edwards & Harding Petroleum Company recovers from such carried owner's relinquished interest provided for above, the relinquished interest of such carried owner shall automatically revert to such owner, and from and after such reversion, such carried owner shall be treated as a participating owner 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 owner 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, an owner of an unleased interest may elect to receive a sum of FIVE DOLLARS (\$5.00) per net mineral acre owned by such owner, plus a total royalty in the amount of one-eighth of eight-eighths ( $1/8$  of  $8/8$ ths) of the conventional oil,

casinghead gas and gas condensate produced from the well covered by the 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 owner electing this option shall deliver under this Order a net revenue interest of 87.50% of 8/8ths of the conventional oil, casinghead 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 1/8 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 the conventional oil and gas rights owned by such owner bears to the entire number of mineral acres in this unit; or

(3) In the event a gas and oil owner, 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 owner shall be deemed to have elected not to participate in the working interest in the well covered hereby as to the pools involved herein and shall be deemed to have elected to lease his interest as provided above.

(4) In the event a owner of a conventional oil and gas lease or an owner of an unleased tract, who is subject to the provisions of this Order shall elect to act as a participating owner under 2(a), but thereafter fails or refuses to pay the payment of such owner's proportionate part of the cost of the well covered hereby as set forth in such provisions, such election to act as a participating owner under this Order shall be null and void and such owner shall become a carried owner consistent with the terms and provisions of this Order.

(5) Any gas and oil owner involved herein who has not appeared in response to the notice of hearing published pursuant to the provisions of Section 45.1-361.19, Code of Virginia, 1950 as amended, and whose identity or whereabouts remains unknown at the conclusion of the hearing conducted in this matter shall be deemed to have elected to lease his interest to Edwards & Harding Petroleum Company as provided in paragraph 2.(c). Such owner's share of proceeds under the provisions of this Order, shall be paid to the Virginia Gas and Oil Board and Treasurer of Virginia and held in a separate escrow account for such owner's benefit. Such owner's share shall be deemed unclaimed property and shall be disposed of as provided in the Uniform Disposition of Unclaimed Property Act, Section 55-210.1, et seq., Code of Virginia, 1950 as amended. The State Gas and Oil Inspector shall receive any such funds and administer these designated accounts.

(6) Except as provided above, any cash bonus which becomes payable by Edwards & Harding Petroleum Company under the provisions of 2.(C) above, shall be paid or tendered within thirty (30) days after the date of this Order; provided, however, if the owner entitled to such funds releases the same, or if such owner's interest in the unit involved in this cause has a defect or cloud in the title thereto, or if such owner cannot be paid such funds for any reason whatsoever other than the reasons set forth in paragraph (5) above. Edwards & Harding Petroleum Company may deposit (credit) such funds due such party into an internal escrow account established in the accounting records of Edwards & Harding Petroleum Company and such funds shall be credited to such account for the benefit of such owner. Such funds so deposited (credited) in such escrow account shall be held for the benefit of the owner entitled thereto until such funds can be paid to such owner, or such owner accepts such funds, or until the title defect or cloud is cured or removed to the satisfaction of Edwards & Harding Petroleum Company.

(7) Edwards & Harding Petroleum Company, in addition to any other rights afforded such party under the laws of Virginia, shall have a lien on the mineral leasehold estate or rights owned by the other gas and oil owners 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 owner 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 owner to pay such owner's proportionate part of any cost incurred hereunder in connection with the well covered hereby, Edwards & Harding Petroleum Company shall be entitled to receive the share of production from the well accruing to such defaulting participating owner'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 owner shall be applied toward payment of costs chargeable to any other interest in such unit. If any participating owner fails or refuses to pay such owner'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 & Harding Petroleum Company, the non-defaulting participating owners, including Edwards & Harding Petroleum Company shall, upon request by Edwards & Harding Petroleum Company, pay the unpaid amount in the proportion that the interest of each such non-defaulting participating owner bears to the total interests of all such non-defaulting owners. In such event, each non-defaulting participating owner so paying such owner's share of the unpaid amount shall, to obtain reimbursement thereof, be subrogated to the lien rights described above.

(8) If the well involved herein has not been commenced as of the date of this Order, Edwards & Harding Petroleum Company shall commence or cause to be commenced operations on such well within three hundred and sixty-five days (365) from the date of this Order and in any event, shall continue or cause to be continued operations under this Order with due diligence; otherwise, the provisions thereof shall be inoperative and this Order shall terminate, except for any cash sums becoming payable hereunder, unless the time of commencement of such operations is extended by an Order of the Board.

(9) Edwards & Harding Petroleum Company shall cause a certified copy of this Order to be mailed to the last known address of each gas and oil owner as listed in this Order within thirty (30) days of entry.

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

As provided by Rule 2A:2 of the Supreme Court of Virginia, you have thirty (30) days from the date of service (the date you actually received this decision or the date it was mailed to you, whichever occurred first) within which to appeal this decision by filing a Notice of Appeal with B. Thomss Fulmer, Principle Executive to the Staff of the Virginia Gas and Oil Board, P. O. Box 1416, Abingdon, VA 24210. In the event this

decision is served on you by mail, three (3) days are added to that period.

Done and executed this 28<sup>th</sup> day of January, 1992, by a majority of the Virginia Gas and Oil Board.

Benny R. Wampler  
CHAIRMAN

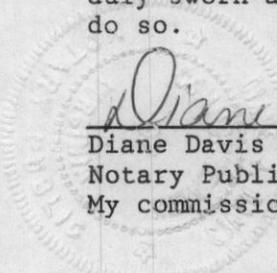
Done and performed this 28<sup>th</sup> day of January, 1992, by Order of this Board.

Byron L. Fulmer  
Principal Executive to the Staff  
Virginia Gas and Oil Board

Neenah Bond

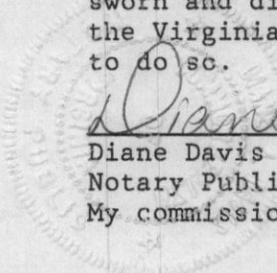
STATE OF VIRGINIA  
COUNTY OF WASHINGTON

Acknowledged on this 13th day of January, 1992, personally before me a notary public in and for the State of Virginia appeared Benny Wampler being duly sworn and did depose and say that he is Chairman of the authorized to do so.

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

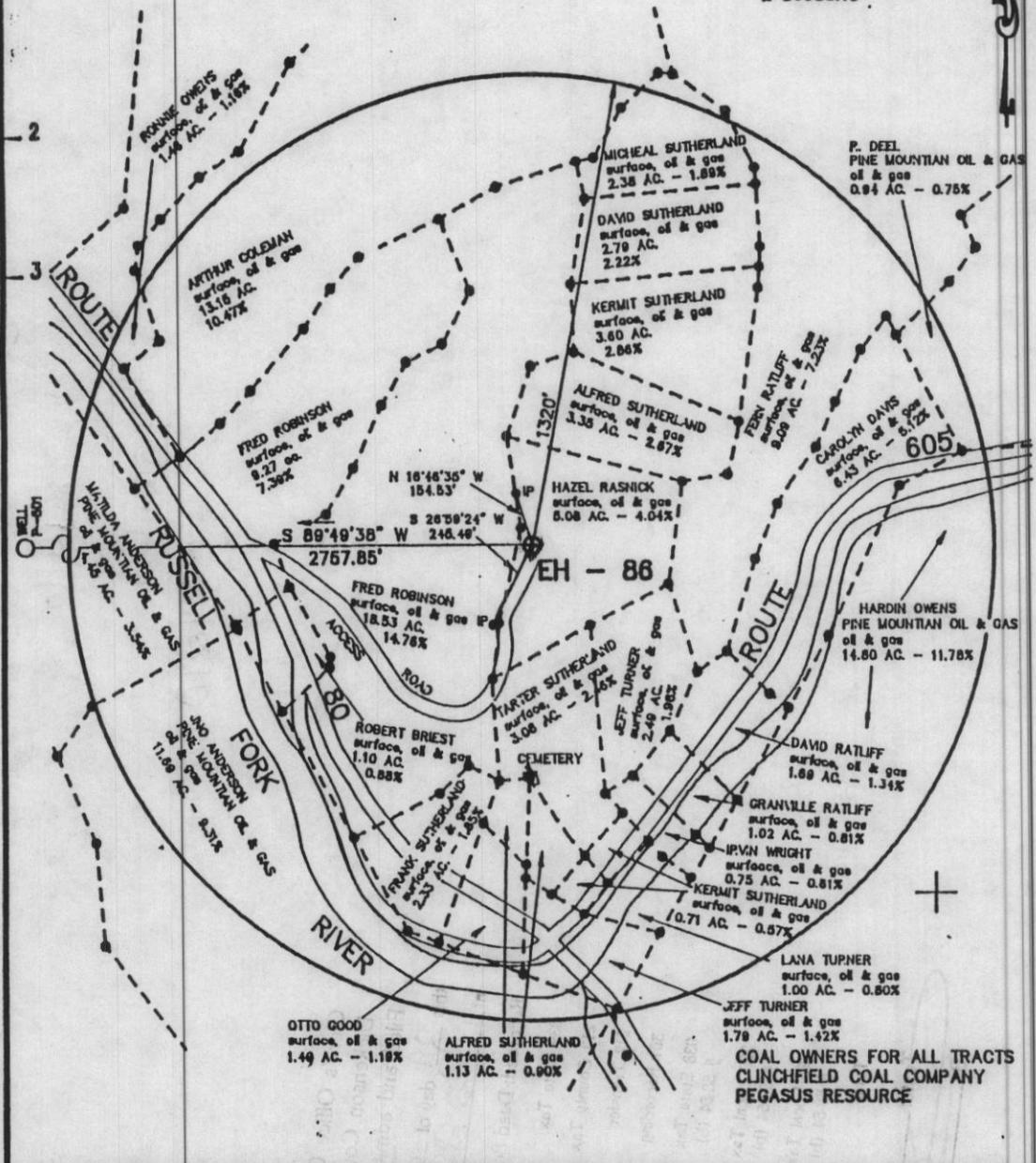
STATE OF VIRGINIA  
COUNTY OF WASHINGTON

Acknowledged on this 13th day of January 1992, personally before me a notary public in and for the State of Virginia appeared Tom Fulmer, being duly sworn and 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

TOTAL UNIT AREA = 125.59 ACRES

COORDINATES ARE BASED ON CLINCHFIELD COORDINATE SYSTEM  
COORDINATES OF WELL  
N 24316.94  
E 38988.19



COMPANY Edwards & Harding Petroleum Company

ADDRESS P.O. Box 2404 Abingdon, Virginia 24210

WELL NAME EH - 86

FARM HAZEL RASNICK TRACT \_\_\_\_\_

LEASE NO. \_\_\_\_\_ ELEVATION 1649.58 (Tri)

ACRES \_\_\_\_\_ QUADRANGLE Hoyal

COUNTY Dickenson DISTRICT Sandlick

REG. ENGINEER X REG. NO. 8106

CERT. LAND SURVEYOR X CERT. NO. 1340

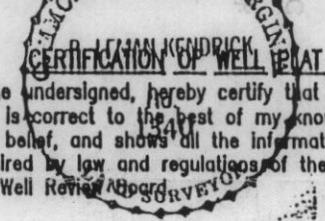
FILE NO. \_\_\_\_\_ DRAWING NO. \_\_\_\_\_

DATE NOVEMBER, 1990 SCALE 1" = 400'

This plot is X new \_\_\_\_\_ updated  
this plot X is \_\_\_\_\_ is not based on a mine coordinate  
system established for the areas of the well location

WELL LOCATION MAP  
WELL NO. EH-86

+ Denotes location of well on United States Topographic Maps, scale 1 to 24,000, latitude and longitude lines being represented by border lines as shown.



I, the undersigned, hereby certify that this plat is correct to the best of my knowledge and belief, and shows all the information required by law and regulations of the Va. Well Review Board.

B. J. [Signature]  
Registered Engineer or Certified  
Land Surveyor In Charge