

V I R G I N I A :

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: VIRGINIA GAS COMPANY)
RELIEF SOUGHT: ESTABLISHMENT OF TEMPORARY) DIVISION OF
ORDER FOR THE TESTING OF THE) GAS AND OIL
PRICE FORMATION FOR) DOCKET NO.
SUITABILITY AS A STORAGE) VGOB 92-0721-0233
RESERVOIR IN THE EARLY GROVE)
GAS AND OIL FIELD PURSUANT TO)
VA. CODE ANN. § 45.1-361.20)
(MICHIE SUPP. 1992))
LEGAL DESCRIPTION: WASHINGTON AND SCOTT COUNTIES)
VIRGINIA (SEE DESCRIPTIONS)
HEREIN AND PLAT ATTACHED)
HERETO AS EXHIBIT "A"))

REPORT OF THE BOARD

FINDINGS AND ORDER

1. Hearing Date and Place: This matter came on for hearing before the Virginia Gas and Oil Board (hereafter "Board") at 9:00 a.m. on July 21, 1992, at the Dickenson Conference Room, Southwest Virginia Education 4-H Center, Abingdon, Virginia.

2. Appearances: David A. Street and N. D. Street of the firm of Street, Street, Street, Scott and Bowman; Elizabeth McClanahan of the Penn, Stuart, Eskridge and Jones and Ford Quillen appeared for the Applicant; and Sandra B. Riggs, Assistant Attorney General was present to advise the Board.

3. Jurisdiction and Notice: Pursuant to Va. Code Ann. §§ 45.1-361.1 et seq. (Michie Supp. 1992), the Board finds that it has jurisdiction over the subject matter. Based upon the evidence presented by Applicant, the Board also finds that the Applicant has (1) exercised due diligence in conducting a meaningful search of reasonably available sources to determine the identify and whereabouts of potential owners, i.e., persons of record, having or claiming the rights to the oil and gas underlying the tracts comprising the EH-88 (Baker #2), EH-89 (Duerr #1), EH-103 (G. B. Hensley #1) and EH-105 (Gardner #1) (hereafter the "Subject Units"), within the Early Grove Gas and Oil Field (hereafter "Early Grove"); and (2) has given notice to all parties, having an interest in the coal, oil, gas and mineral underlying the Subject Units (hereafter sometimes "person(s)" whether referring to individuals, corporations, partnership, associations, companies, businesses, trusts, joint ventures or other legal entities), entitled by Va. Code Ann. §§ 45.1-361.19 and 45.1-361.20 (Michie Supp. 1992) to notice of this application. Further, the Board has caused notice of this hearing to be published as required by Va. Code Ann. § 45.1-361.19.B (Michie Supp. 1992).

4. Amendments: None.

5. Dismissals: None.

6. Relief Requested: Applicant requests that the Board: (1) grant a modification to the Early Grove Order entered on March 20, 1989, effective as of August 10, 1988; (2) approve the wells located within the Subject Units for testing at the coordinates set forth in Exhibit "B" of Applicant's application; (3) name Applicant, Virginia Gas Company, as the Operator; and (4) grant Operator the right to test the Price formation underlying the Subject Units to determine

whether the Early Grove Gas and Oil Field is suitable for use as a commercial storage field; and (5) establish a temporary order for the testing of the Price formation in the Subject Units within Early Grove for suitability as a gas storage reservoir.

7. Reasons Relief Should Be Granted: The application and/or the uncontroverted testimony and evidence presented to the Board at the hearing reflects that:

a. The following named persons may be owners of the coal, oil, gas and minerals underlying the Subject Units within Early Grove underlying and comprised of the property more particularly described for each of the Subject Units in Subparagraph 7.d below:

(1) EH-88 UNIT:

- (a) Gilbert D. Baker, Route 3, Box 215, Bristol, VA 24201
- (b) Judy A. Baker, P. O. Box 1206, Bristol, VA 24203;
- (c) Virginia Gas Company, P. O. Box 2407, Abingdon, VA 24210.

(2) EH-89 UNIT:

- (a) S. W. & Joann M. Baker, P. O. Box 885, Riverview, FL 33560;
- (b) Carl & Charlotte Hensley, 401 Gray Street, Ervin, TN 37650;
- (c) Amos Miller Heirs
 - (1) c/o Carl W. Miller, P. O. Box 651, Bristol, VA 24203;
 - (2) c/o James J. & Bonnie Jeralds, 4505 California Ave. #308, Long Beach, CA 90807
 - (3) c/o Virgie Dunn, 475 East 44th Way, Long Beach, CA 90805;
 - (4) c/o Audrey Cline, 406 Mill Street, Woodsfield, OH 43793;
- (d) N. L. & Maxie Baker, Route 3, Bristol, VA 24201;
- (e) Arden Hunsucker et al.
 - (1) Audrey Ketron, 3894 Gate City Highway, Bristol, VA 24201;
 - (2) Cheryl H. LeSueur, 4861 Reedy Creek Road, Bristol, VA 24201;
 - (3) Donald Hunsucker, 4467 Gate City Highway, Bristol, VA 24201;
 - (4) Arden & Edith Hunsucker, 244 Cherokee Road, Bristol, VA 24201;

- (5) Brittany Good, 116 McTeer Drive, Kingsport, TN 37663;
 - (6) Charles Rutherford, 1604 Athens Court, Lexington, KY 40505;
 - (7) William Rutherford, 1703 Lani Drive, Eaton, OH 45320;
 - (8) Mary Houser, 506 W. Main Street, Eaton, OH 45320;
 - (9) Nancy Kay Ferriell, 3030 U. S. Route 35 West, Eaton, OH 45320;
 - (10) Anna Belle Devilbiss, 3083 New Market-Banta Rd, West Alexandria, OH 45381;
 - (11) Edith Bright, Route 3, Box 209, Bristol, VA 24201;
 - (12) R. M. Hunsucker, 810 Childress Ferry Rod., Blountville, TN 37617;
 - (13) J. D. & Etta Hunsucker, 624 South Central, West Alexandria, OH 45381;
 - (14) Bonnie Bright, 325 Taylor Street, Bristol, TN 37620;
 - (15) Cledith Perrigan, 517 Blountville Hwy., Bristol, TN 37620;
 - (16) Edith & Johnny Morelli, 5719 Eaton-Gettysburg Road, Eaton, OH 45320;
 - (17) Terry J. Hunsucker, 210 East Avenue, Eaton, OH 45320;
 - (18) Debra S. Strebig, 1032 Stone Drive, West Alexandria, OH 45381;
 - (19) Norma Jean H. and Gene Barth, Route 2, 6255 Gates Road, Centerville, IN 47330;
 - (20) Eula Wright, c/o Arden Hunsucker, Attorney in fact, 244 Cherokee Road, Bristol, VA 24201;
 - (21) Mattie Lee Hunsucker, Route 3, Box 266, Bristol, VA 24201;
- (f) Virginia Gas Company, P. O. Box 2407, Abingdon, VA 24210;
- (g) Charles S. Bartlett, Jr., 903 East Main Street, Abingdon, VA 24210;
- (h) Silver Resources, Inc., Saul Horing, Esquire, 880 Third Avenue, New York, NY 10022;
- (i) United Oil and Minerals, Inc., 108 Wild Basin Road, Suite 320, Austin, TX 78746;

- (j) T-C Development, 3333 South Carson Street, Carson City, NV 89701;
- (k) Thelma McCoy, 1205 Texas Avenue, Room 307, Lubbock, TX 79410.

(3) EH-103 UNIT:

- (a) S. W. & Joann M. Baker, P. O. Box 885, Riverview, FL 33560;
- (b) Carl & Charlotte Hensley, 401 Gay Street, Ervin, TN 37650;
- (c) Goldie Blanche Hensley, 335 Gay Street, Ervin, TN 37650;
- (d) Amos Miller Heirs
 - (1) c/o Carl W. Miller, P. O. Box 651, Bristol, VA 24203;
 - (2) c/o James J. & Bonnie Jeralds, 4505 California Ave. #308, Long Beach, CA 90807;
 - (3) c/o Virgie Dunn, 475 East 44th Way, Long Beach, CA 90805;
 - (4) c/o Audrey Cline, 406 Mill Street, Woodsfield, OH 43793;
- (e) Miller's Chapel, Route 3, Box 221, Bristol, VA 24201;
- (f) Mattie Lee Hunsucker, Route 3, Box 266, Bristol, VA 24201;
- (g) Robert L. & Lois Miller, Route 1, Box 169A, Hiltons, VA 24258;
- (h) Joe R. Morton, P. O. Box 1486, Wise, VA 24293;
- (i) Ronald Meade, 216 Boozy Creek Road, Bristol, VA 24201;
- (j) David Meade, 23 Harmony Drive, Bristol, VA 24201;
- (k) Harold B. & Jenny C. Miller, 523 Sequayah Drive, Kingsport, TN 37660;
- (l) Virginia Gas Company, P. O. Box 2407, Abingdon, VA 24210;
- (m) T-C Development, 3333 South Carson Street, Carson City, NV 89701;
- (n) Charles S. Barlett, Jr., 903 E. Main St., Abingdon, VA 24210;
- (o) Silver Resources, Inc., Saul Horing, Esq., 880 Third Avenue, New York, NY 1022;
- (p) United Oil & Minerals, Inc., 108 Wild Basin Road, Suite 320, Austin, TX 78746;

(q) Thelma McCoy, 1205 Texas Avenue, Room 307, Lubbock, TX 79410.

(4) EH-105 UNIT:

- (a) Mansey A. & Vernie Gardner, Route 3, Box 213, Bristol, VA 24201
- (b) Virginia Gas Company, P. O. Box 2407, Abingdon, VA 24210;
- (c) Charles S. Bartlett, Jr., 903 E. Main Street, Abingdon, VA 24210.

b. Virginia Gas Company claims control of the oil and gas for each of the Subject Units as follows:

(1) EH-88: The EH-88 Unit (Baker #2) contains a total of eighty-one (81) acres. Virginia Gas Company claims control of oil and gas leases covering approximately 81 acres in the EH-88 Unit (Baker #2).

(2) EH-89: The EH-89 Unit (Duerr #1) contains a total of seventy-five and fifty-three hundredths (75.53) acres. Virginia Gas Company claims control of oil and gas leases covering approximately 75.53 acres in the EH-89 Unit (Duerr #1).

(3) EH-103: The EH-103 Unit (G. B. Hensley #1) contains a total of seventy-nine and eight-hundredths (79.08) acres. Virginia Gas Company claims control of oil and gas leases covering approximately 79.08 acres in the EH-103 Unit (G. B. Hensley #1).

(4) EH-105: The EH-105 Unit (Gardner #1) contains a total of eighty-one (81) acres. Virginia Gas Company claims control of oil and gas leases covering approximately 81 acres in the EH-105 Unit (Gardner #1).

c. The four (4) wells to be tested in the Subject Units are the EH-88, EH-89, EH-103 and EH-105 (hereafter the "Wells"). The locations of the well bores for the Wells are as follows:

(1) The well bore location for EH-88 according to the Virginia (South Rectangular) State Plane Coordinates System is North 133,953.10 East 872,912.32.

(2) The well bore location for EH-89 according to the Virginia (South Rectangular) State Plane Coordinates System is North 135,875.41 East 876,671.76.

(3) The well bore location for EH-103 according to the Virginia (South Rectangular) State Plane Coordinates System is North 132,082.89 East 872,500.49.

(4) The well bore location for EH-105 according to the Virginia (South Rectangular) State Plane Coordinates System is North 136,357.07 East 875,634.93.

d. The Subject Units are bounded and described according to Virginia (South Rectangular) State Plane Coordinates as follows:

(1) EH-88 (Baker #2):

Beginning at a point Virginia (South Rectangular) State Plane Coordinates N 134,965.30 E 873,628.74, thence S 02°46'50" E

1,620.37 feet to a point (N 133,346.84 E 873,707.35), thence N 84°54'32" W 517.74 feet to a point (N 133,392.79 E 873,191.65), thence S 71°33'57" W 247.52 feet to a point (N 133,314.52 E 872,956.83), thence S 78°19'56" W 628.45 feet to a point (N 133,187.42 E 872,341.37), thence S 78°56'07" W 150.85 feet to a point (N 133,158.47 E 872,193.32), thence N 88°20'50" W 186.88 feet to a point (N 133,163.86 E 872,006.52), thence S 78°29'29" W 125.05 feet to a point (N 133,138.91 E 871,883.98), thence S 74°58'25" W 286.19 feet to a point (N 133,064.71 E 871,607.57), thence N 04°27'45" W 1,653.77 feet to a point (N 134,713.47 E 871,472.90), thence N 87°15'31" E 207.85 feet to a point (N 134,723.41 E 871,686.51), thence N 53°46'26" E 64.25 feet to a point (N 134,761.38 E 871,738.34), thence S 88°08'40" E 203.23 feet to a point (N 134,754.80 E 871,941.46), thence S 78°28'54" E 169.32 feet to a point (N 134,720.99 E 872,107.57), thence N 48°28'09" E 140.34 feet to a point (N 134,814.04 E 872,212.34), thence N 83°54'14" E 1,424.37 feet to the point of Beginning, containing eighty-one (81) acres, more or less.

(2) EH-89 (Duerr #1):

Beginning at a point Virginia (South Rectangular) State Plane Coordinate N 136,425.96 E 876,148.36, thence N 85°24'08" E 1,320.00 feet to a point (N 136,532.77 E 877,464.12), thence S 04°36'01" E 2,411.85 feet to a point (N 134,128.69 E 877,657.46), thence S 85°24'08" W 1,320.00 feet to a point (N 134,022.88 E 876,341.70), thence N 04°36'01" W 2,411.85 feet to the point of Beginning, containing seventy-five and fifty-three hundredths (75.53) acres, more or less.

(3) EH-103 (G. B. Hensley #1):

Beginning at a point Virginia (South Rectangular) State Plane Coordinate N 138,262.73 E 876,000.73, thence S 04°35'52" E 2,640.00 feet to a point (N 135,631.22 E 876,212.36), thence S 85°24'08" W 1,327.91 feet to a point (N 135,524.78 E 874,888.72), thence N 18°03'31" W 248.99 feet to a point (N 135,761.50 E 874,811.54), thence N 32°29'52" W 121.22 feet to a point (N 135,863.74 E 874,746.41), thence N 03°11'52" W 280.06 feet to a point (N 136,143.37 E 874,730.79), thence N 54°09'08" E 141.32 feet to a point (N 136,226.13 E 874,845.34), thence N 43°17'08" E 250.94 feet to a point (N 136,408.80 E 875,017.39), thence N 16°59'52" W 650.00 feet to a point (N 137,030.40 E 874,827.37), thence N 27°04'52" W 135.01 feet to a point (N 137,150.61 E 874,765.91), thence N 04°35'52" W 1,009.55 feet to a point (N 138,156.91 E 874,684.98), thence N 85°24'08" E 1,320.00 feet to the point of Beginning, containing seventy-nine and eight-hundredths (79.08) acres, more or less.

(4) EH-105 (Gardner #1):

Beginning at a point Virginia (South Rectangular) State Plane Coordinate N 133,064.71 E 871,607.57, thence N 74°58'25" E 286.19 feet to a point (N 133,138.91 E 871,883.98), thence N 78°29'29" E 125.05 feet to a point (N 133,163.86 E 872,006.52), thence S 88°20'50" E 186.88 feet to a point (N 133,158.47 E 872,193.32), thence N 78°56'07" E 150.85 feet to

a point (N 133,187.42 E 872,341.37), thence N 78°19'56" E 628.45 feet to a point (N 133,314.52 E 872,956.83), thence N 71°33'57" E 247.52 feet to a point (N 133,392.79 E 873,191.65), thence S 84°54'32" E 517.74 feet to a point (N 133,346.84 E 873,707.35), thence S 84°54'32" E 54.72 feet to a point (N 133,341.99 E 873,761.85), thence S 02°40'03" E 1,385.13 feet to a point (N 131,958.36 E 873,826.32), thence S 68°18:50" W 2,207.89 feet to a point (N 131,142.50 E 871,774.69), thence N 04°58'08" W 1,929.46 feet to the point of Beginning, containing eighty-one (81) acres, more or less.

e. The operator and drilling information for the Wells to be tested are as follows:

(1) Well #EH-88:

A. Name of Operator:	Virginia Gas Company
B. Date Drilled:	March 11, 1988
C. Total Depth:	4,113 feet
D. Depth of Production:	3,874-3,892 feet
E. Initial Rock Pressure:	1,000 psi
F. Depths at Which Coal Seams Were Encountered:	N/A (no coal)
G. Driller's Information:	See Exhibit "H" of Application
H. Well Status at Date of Application:	Shut-in.

(2) Well #EH-89:

A. Name of Operator:	Virginia Gas Company
B. Date Drilled:	October 11, 1985
C. Total Depth:	4,196 feet
D. Depth of Production:	3,755-3,764 feet
E. Initial Rock Pressure:	1,400 psi
F. Depths at Which Coal Seams Were Encountered:	N/A (no coal)
G. Driller's Information:	See Exhibit "H" of Application
H. Well Status at Date of Application:	Shut-in.

(3) Well #EH-103:

A. Name of Operator:	Virginia Gas Company
B. Date Drilled:	July, 1987
C. Total Depth:	4,024 feet
D. Depth of Production:	3,388-3,500 feet & 3,755-3,767 feet
E. Initial Rock Pressure:	1,250 psi
F. Depths at Which Coal Seams Were Encountered:	N/A (no coal)
G. Driller's Information:	See Exhibit "H" of Application
H. Well Status at Date of Application:	Shut-in.

(4) Well #EH-105:

A. Name of Operator:	Virginia Gas Company
B. Date Drilled:	April, 1988
C. Total Depth:	4,248 feet

D. Depth of Production:	3,921-3,930 feet & 3,939-3,985 feet
E. Initial Rock Pressure:	1,125 psi
F. Depths at Which Coal Seams Were Encountered:	N/A (no coal)
G. Driller's Information:	See Exhibit "H" of Application
H. Well Status at Date of Application:	Shut-in.

8. Relief Granted: Pursuant to Va. Code. Ann. §§ 45.1-361.1, et seq. (Michie Supp. 1992), VR 480-05-22.1 (1991), Virginia Gas and Oil Board Regulations, and VR 480-05.22.2 (1991), Virginia Gas and Oil Board Regulations, the Virginia Gas and Oil Board ORDERS as follows:

a. The Board grants the application of Virginia Gas Company to modify the Early Grove Order entered on March 20, 1989, effective as of August 10, 1988, and approves the Wells and the Subject Units for suitability testing at the coordinates and descriptions set forth herein in Subparagraphs 4.c and 4.d and depicted on Exhibit "B" hereto.

b. The Board names Applicant, Virginia Gas Company, as the Operator, and grants Operator the right to test for a 120-day period, (herein the "Testing Period"), the Price formation underlying the Subject Units in conformance with the procedures set forth by the Applicant in its testimony before the Board, including, but not limited to: (1) conducting injectivity tests; (2) recording the pressures and volumes encountered in the Wells; (3) acquiring data; and (4) evaluating and analyzing the formation to determine whether it has adequate injectivity and deliverability to make the field suitable as a gas storage reservoir.

c. The Operator shall take precaution during the testing phase to maintain the integrity of the well bore for each Well.

d. The Operator shall give notice to the Virginia Gas and Oil Inspector (the "Inspector"), at least 30 days in advance of the commencement of the Testing Period, and thereafter report to the Inspector on a monthly basis through completion of the Testing Period, or at such other times as may be required, the quantities or volumes of gas stored and/or removed from the Units. The Operator shall also monitor the wellhead pressures and shall report them to the Virginia Gas and Oil Inspector on a monthly basis.

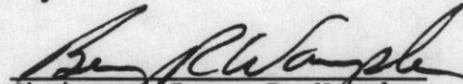
e. The Operator will continue to pay the royalty owners in the Subject Units as if testing was not being conducted. If "native gas" is removed during the Testing Period, Operator will calculate the amount of "native gas" removed based upon a production decline curve and the royalty owners will be paid royalties on such "native gas" according to the terms of the oil and gas leases covering the Subject Units. In order to separate and protect the rights of royalty owners and the Operator during Testing Periods, in relation to amounts of original gas in place and non-royalty gas, accurate records of pressure and the volume of all gas in each well shall be kept by the Operator. Upon the start of withdrawals of gas, historical pressure data, production decline data, and accurate records of stored gas volumes will be used to determine between the predicted production and the adjusted production as a result of any additional volumes of gas for testing purposes. Comparison of the predicted production and the actual production shall be used to determine a percentage of the actual production that shall be used to define the amounts of gas that will be Operator gas and the amount that is original gas, until such time as the Operator has recovered the volume of gas that was stored for testing purposes.

f. The Inspector may make or cause to be made any inspection or surveys deemed necessary to ensure that the provisions of this Order are met.

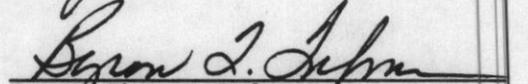
g. The maps and data filed herewith shall be amended or supplemented semi-annually; provided, however, that the Inspector may require the Operator to amend or supplement such maps and data at more frequent intervals.

9. Effective Date: This Order shall be effective as of July 21, 1992, and shall expire and become null and void on a date which is the earlier of: (1) completion of the testing period; (2) a date of termination hereafter established by Order of the Inspector or the Board; or (3) July 20, 1995, unless sooner terminated by Order of the Inspector or the Board.

DONE AND EXECUTED this 16th day of April, 1993, by a majority of the Virginia Gas and Oil Board.

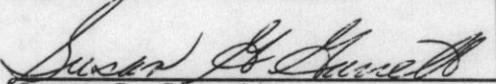

Chairman, Benny R. Wampler

DONE AND PERFORMED this 16th day of April, 1993, by Order of this Board.


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

STATE OF VIRGINIA)
COUNTY OF WISE)

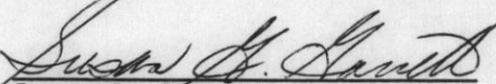
Acknowledged on this 16th day of April, 1993, personally before a notary public in and for the Commonwealth of Virginia, appeared Benny Wampler, being duly sworn did depose and say that his is Chairman of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.


Susan G. Garrett
Notary Public

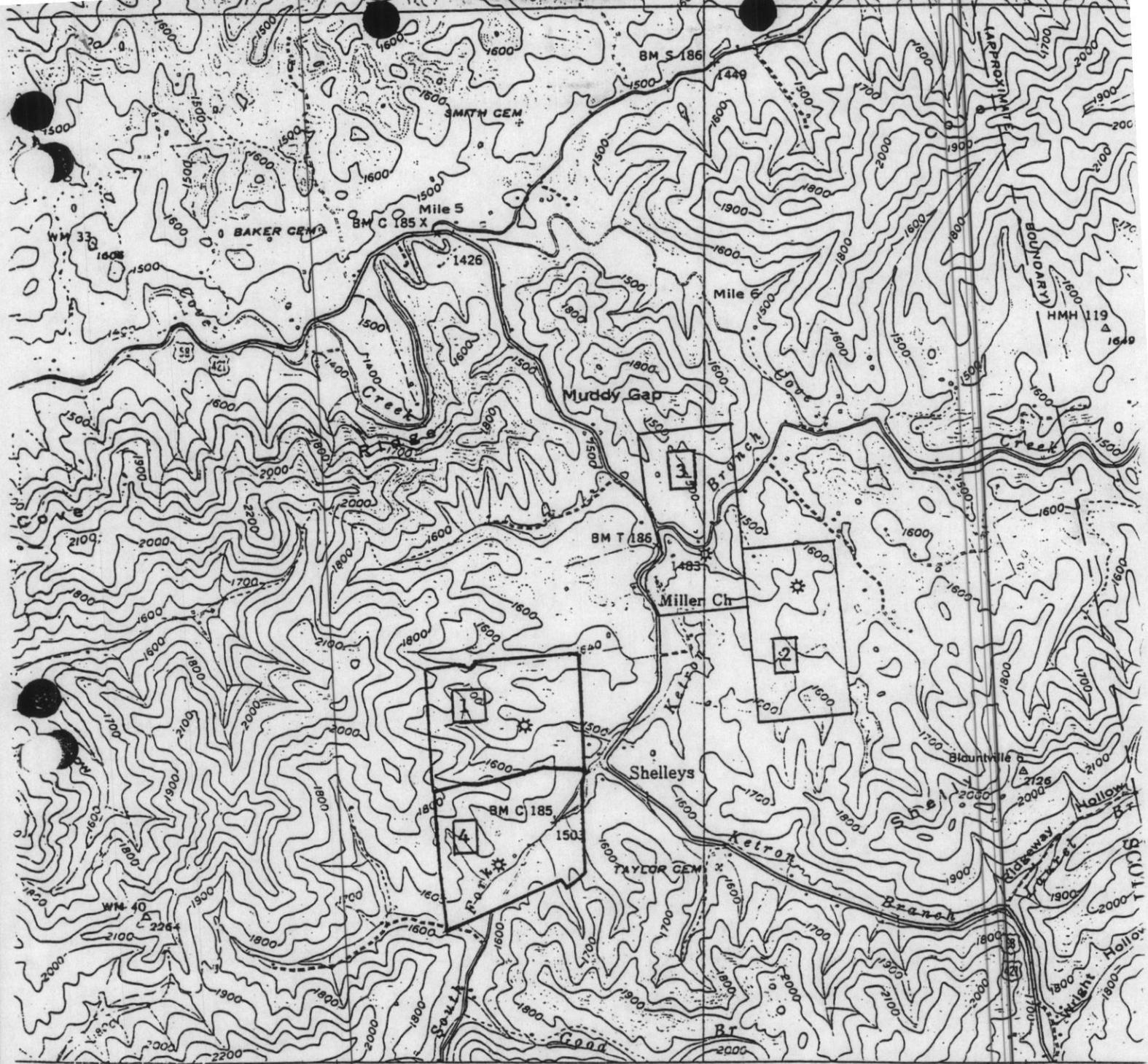
My commission expires 07/31/94

STATE OF VIRGINIA)
COUNTY OF WISE)

Acknowledged on this 16th day of April, 1993, personally before a notary public in and for the Commonwealth of Virginia, appeared Byron Thomas Fulmer, being duly sworn did depose and say that his is Principal Executive to the Staff of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.


Susan G. Garrett
Notary Public

My commission expires 07/31/94



178 870,000 FEET 180 (Blountville) 181 182 (Blountville 456Z III) SCALE 1:24000 SCALE 1:2

by Tennessee Valley Authority Geological Survey

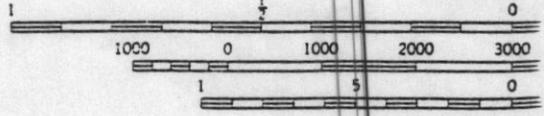
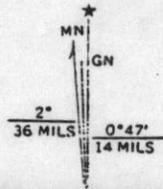
SGS, and TVA

by photogrammetric methods. A, 1938

27 North American datum on Virginia (South) system

use Mercator Grid

Indicate selected areas. This information is for your information only.



CONTOUR INTERVAL DASHED LINES REPRESENT MEAN DATUM IS MEAN

1	EH-88
2	EH-89
3	EH-103
4	EH-105

VIRGINIA GAS COMPANY
 Unit Location Map
 VGOB-92/07/21-0233
 EXHIBIT B

Prepared by: Steve Wilburn

BY U.S. GEOLOGICAL SURVEY
 RESTON, VIRGINIA
 DIVISION OF MINERAL RESOURCES
 TENNESSEE VALLEY AUTHORITY
 USING TOPOGRAPHIC MAPS AND