

COPY

us

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: BUCHANAN PRODUCTION COMPANY) VIRGINIA GAS
) AND OIL BOARD
RELIEF SOUGHT: MODIFICATION ORDER TO)
VGOB DOCKET NO. 92-0915-0261) DOCKET NO.
FOR THE REPOOLING OF) VGOB 93-0518-0373
INTERESTS IN DRILLING UNIT) (Modification Order
NO. O-3/B PURSUANT TO SECTION) to VGOB 92-0915-0261
45.1-361.22, (CODE OF) Entered November 30, 1992,
VIRGINIA, 1950 AS AMENDED) and Recorded in Deed
FOR THE PRODUCTION OF) Book 401 at Page 819,
COALBED METHANE GAS INCLUDING) Buchanan County, Virginia
GAS FROM SHORT HOLES,) (herein "Original Pooling
UNSEALED GOB AND GAS FROM) Order")
ANY WELL LOCATED IN A LONG)
WALL PANEL (herein)
collectively referred to as)
"Coalbed Methane Gas" or)
"Gas"))
))
))
LEGAL DESCRIPTION:)
))
DRILLING UNIT NUMBER O-3/B)
(Hereafter "Subject Drilling Unit"))
IN THE OAKWOOD COALBED GAS FIELD II)
SOUTH GRUNDY MAGISTERIAL)
DISTRICT, VANSANT QUADRANGLE,)
BUCHANAN COUNTY, VIRGINIA)
(the "Subject Lands" are more)
particularly described on Exhibit)
"A", attached hereto and made a)
part hereof))

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 May 18, 1993, Dickenson Conference Room, Southwest Virginia 4-H Center, Abingdon, Virginia.

2. Appearances: Howard G. Salisbury and Mark A. Swartz, attorneys of Kay, Casto, Chaney, Love and Wise, appeared for the Applicant and the Unit Operator; and Sandra B. Riggs, Assistant Attorney General was present to advise the Board.

3. Jurisdiction and Notice: Pursuant to Sections 45.1-361.1 et seq., Virginia Code, 1950 as amended, 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 an update of its search of the reasonably available sources to determine the identity and whereabouts of potential owners, i.e., persons identified by Applicant as having or claiming the rights to coalbed methane gas in all coal seams below the Tiller Seam (hereafter "Subject Formation") in Subject Drilling Unit underlying and comprised of Subject Lands; (2) has given notice to all such parties so identified, (hereafter sometimes "person(s)" whether referring to individuals, corporations, partnerships, associations, companies, businesses, trusts, joint ventures or other legal entities) and entitled by §§ 45.1-361.19 and 45.1-361.22,

Virginia Code, 1950 as amended, to notice; and (3) that the persons set forth in Exhibit B hereto are persons identified by Applicant through its updated search who may be claimants of coalbed methane gas interests in Subject Formation, in Subject Drilling Unit underlying and comprised of Subject Lands, who have not heretofore agreed to lease to the Applicant or the Unit Operator and/or voluntarily pool their interests, but who were not named as respondents in the Original Pooling Order. Further, the Board has caused notice of this hearing to be published as required by § 45.1-361.19B, Virginia Code, 1950 as amended. Whereupon, the Board hereby finds that the notices given herein satisfy all statutory requirements, Board rule requirements and the minimum standards of state due process.

4. Amendments: None.

5. Dismissals: None.

6. Relief Requested: Applicant requests (1) that pursuant to §§ 45.1-361.22, including the applicable portions of § 45.1-361.21, Code of Virginia, 1950 as amended, the Board modify the Original Pooling Order to pool all the rights and interests in and to the Gas in Subject Drilling Unit, including those of the known and unknown persons named in Exhibit B hereto, with those heretofore named in the Original Pooling Order, and their known and unknown heirs, executors, administrators, devisees, trustees, assigns and successors, both immediate and remote, for the drilling and operation, including production, of Coalbed Methane Gas, produced from the Subject Drilling Unit established for the Subject Formation underlying and comprised of the Subject Lands, (hereafter sometimes collectively identified and referred to as "well development and/or operation in the Subject Drilling Unit"), and (2) that the Board designate Consol, Inc. (successor to Oxy USA, Inc.) as Unit Operator.

7. Relief Granted: The requested relief in this cause be and hereby is granted: (1) Pursuant to Sections 45.1-361.21.C.3, Code of Virginia, 1950 as amended, Consol, Inc. (successor to Oxy USA, Inc.) (hereafter "Unit Operator") is designated as the Unit Operator authorized to drill and operate any well in the Subject Drilling Unit, subject to the permit provisions contained in Section 45.1-361.27 et seq., Code of Virginia, 1950 as amended; to the Oakwood Coalbed Gas Field I Order OGCB 3-90, dated May 18, 1990, as amended by VGOB 93-0216-0325 to encompass the Hurricane Branch Extension; to the Oakwood Coalbed Gas Field II Board's Order 91-1119-0162 effective as of December 17, 1992, as amended by VGOB 93-0216-0336/93-0316-0349; to § 480-05-22.1 et seq., Gas and Oil Regulations; and to § 480-05-22.2 et seq., Virginia Gas and Oil Board Regulations, all as amended from time to time, and (2) the rights and interests in and to the Gas in Subject Drilling Unit of the known and unknown persons listed on Exhibit "B", attached hereto and made a part hereof, as well as those heretofore named in the Original Pooling Order, and their known and unknown heirs, executors, administrators, devisees, trustees, assigns and successors, both immediate and remote, be and hereby are pooled in the Subject Formation in the Subject Drilling Unit underlying and comprised of the Subject Lands.

<u>Subject Formation</u>	<u>Unit Size</u>	<u>Permitted Well Location</u>	<u>Field and Well Classification</u>	<u>Order Number</u>
All coal seams below the Tiller seam and associated strata to the Red Shales with approximate drilling	Approximately 80-acre square drilling unit	One (1) well bore to be located in Unit O-3/B at any point within the drilling unit allowed by Order No. OGCB 3-90 and/	Oakwood Coalbed Gas Field II for Coalbed Methane Gas including Short Hole Gas, Unsealed Gob, and Gas from any well located in a Long Wall	VGOB No. 91-1119-0162, as amended by VGOB No. 93-0216-0336/93-0316-0349 and VGOB No. 92-0915-0261

depth of
2,000 feet

or the Order Panel
issued in
VGOB No.
91-1119-0162,
as amended by
VGOB 93-0216-0336/
93-0316-0349

For the Subject Drilling Unit
underlying and comprised of the Subject
Land referred to as:

Unit Number O-3/B
Buchanan County, Virginia

In conjunction with its Order OGCB 3-90, ("Oakwood I Order"), the Board's Order Number VGOB 91-1119--0162 (as amended by VGOB 93-0216-0336/93-0316-0349) established a uniform method of development in the Oakwood Coalbed Methane Gas Field II for the various methods and phases of production both before, during and after long wall mining of the coal seams located therein. Specifically, the Board adopted the following method for calculation of production, revenue and costs for production of Coalbed Methane Gas from Short Hole, Unsealed Gob or any well authorized by the Code of Virginia dependent upon the particular long wall mining plan applicable to each 80-acre unit once the long wall panel(s) located in the drilling unit has been isolated by the driving of entries. (The following method of calculation shall not, however, apply to wells producing under the Oakwood I Order unless and until the circumstances contemplated by subparagraph 7.3.i. below have occurred.) The designated operator of any 80-acre drilling unit or units within the boundaries of which any long wall panel which has been isolated by the driving of entries is located and from which Unsealed Gob Gas, Short Hole Gas or Gas from any Well authorized by the Code of Virginia is produced, shall calculate production and revenue based upon the mine plan as implemented within each affected 80-acre drilling unit and in particular, based upon the mineral acreage, as platted upon the surface, in each 80-acre drilling unit actually contained within a long wall panel as depicted by said mine plan. Except as otherwise provided herein, a copy of the pertinent portion of the mine plan being utilized to calculate production, revenue and costs from any affected 80-acre drilling unit shall be filed of record with the Board prior to the payment of any revenue based upon such calculations. The formula or division of interest for production from any 80-acre drilling unit affected by a long wall panel and from any separately owned tract in any such 80-acre unit shall be calculated as follows:

- 7.1. For Short Hole Gas - The amount of production produced from and attributed to each 80-acre drilling unit shall be the ratio (expressed as a percentage) that the amount of mineral acreage, when platted on the surface, which is both in the affected unit and the long wall panel, bears to the total mineral acreage, when platted on the surface, contained within the entire long wall panel affecting such 80-acre drilling unit.
- 7.2. For Unsealed Gob Gas - The amount of production produced from and attributed to each 80-acre drilling unit shall be the ratio (expressed as a percentage) that the amount of mineral acreage, when platted on the surface, which is both in the affected unit and the long wall panel bears to the total mineral acreage, when platted on the surface, contained within the entire long wall panel affecting such 80-acre drilling unit.
- 7.3. i. For Gas from Any Well Located in a Long Wall Panel. After actual commencement of coal operations by the driving of entries and

completion of isolation of a long wall panel, the amount of Gas produced from such a well and attributed to each 80-acre drilling unit shall be the ratio (expressed as a percentage) that the amount of mineral acreage, when platted on the surface, which is both in the affected 80-acre drilling unit and the isolated long wall panel, bears to the total mineral acreage, when platted on the surface, contained within the entire long wall panel affecting such 80-acre drilling unit.

ii. Prior to the actual commencement of coal mining operations by the driving of entries and completion of isolation of a long wall panel, gas from any well located in a proposed long wall panel shall be produced from and allocated to only the 80-acre drilling unit in which the well is located.

8. Election and Election Period: In the event any person named in Exhibit B hereto has not reached a voluntary agreement to share in the operation of any well contemplated by this Order at a rate of payment mutually agreed to by said gas or oil owner and the Applicant or Unit Operator, then each person named in Exhibit B hereto may elect one of the options set forth in Paragraph 9 below and must give written notice of his election of the option selected under Paragraph 9 herein to the designated Unit Operator at the address shown below within thirty (30) days from the date this Order is recorded in the county above named. A timely election shall be deemed to have been made if, on or before the last day of said 30-day period, such electing person has delivered his written election to the designated Unit Operator at the address shown below or has duly postmarked and placed its written election in first class United States mail, postage prepaid, addressed to the Unit Operator at the address shown below.

9. Election Options:

9.1 Option 1 - To Participate In The Development and Operation of the Drilling Unit: Any gas or oil owner named in Exhibit B hereto may elect to participate in the development and operation of the Subject Drilling Unit (hereafter "Participating Operator") by agreeing to pay the estimate of such Participating Operator's proportionate part of the actual and reasonable costs, including a reasonable supervision fee, of the well development and operation in the Subject Drilling Unit, as more particularly set forth in Virginia Gas and Oil Board Regulation VR 480-05-22.2, Section 10 (herein "Allocable Completed for Production Costs"). Further, a Participating Operator agrees to pay the estimate of such Participating Operator's proportionate part of the Allocable Completed-for-Production Costs as set forth below to the Unit Operator within forty-five (45) days from the later of the date of mailing or the date of recording of this Order. The estimated Allocable, Completed-for-Production Panel Costs for the Subject Drilling Unit are as follows:

Allocable, Completed-for-Production Panel Costs:

PANEL 1 DEV-WEST	-	\$ 136,087.00
PANEL 2 DEV-EAST	-	\$ 204,788.00

Total Panel Costs: \$340,875.00

A Participating Operator's proportionate cost hereunder shall be the results obtained by multiplying the Participating Operators' "Division of Interest" as set forth in the fourth column of Exhibit G, Page 4, times the cost for each panel set forth above, and then adding the results. Provided, however, that in the event a Participating Operator elects to participate and fails or refuses to

pay the estimate of his proportionate part of the Allocable, Completed-for Production Panel Costs as set forth above, all within the time set forth herein and in the manner prescribed in Paragraph 8 of this Order, then such Participating Operator shall be deemed to have elected not to participate and to have elected compensation in lieu of participation pursuant to Paragraph 9.2 herein.

- 9.2 Option 2 - To Receive A Cash Bonus Consideration: In lieu of participating in the development and operation of Subject Drilling Unit under Paragraph 9.1 above, any gas or oil owner named in Exhibit B hereto may elect to accept a cash bonus consideration of \$1.00 per net mineral acre owned by such person, commencing upon entry of this Order and continuing annually until commencement of production from Subject Drilling Unit, and thereafter a royalty of 1/8th of 8/8ths [twelve and one-half percent (12.5%)] of the net proceeds received by the Applicant and/or the Unit Operator for the sale of the Coalbed Methane Gas and gas condensate produced from any well development covered by this Order multiplied by the gas or oil owner's percentage as set forth in Exhibit G, page 4 [for purposes of this Order, net proceeds shall be actual proceeds received less post-production costs incurred downstream of the wellhead, including, but not limited to, gathering, compression, treating, transportation and marketing costs, whether performed by Unit Operator or a third person) as fair, reasonable and equitable compensation to be paid to said gas or oil owner. The initial cash bonus shall become due and owing when so elected and shall be tendered, paid or escrowed within sixty (60) days of recording of this Order. Thereafter, annual cash bonuses, if any, shall become due and owing on each anniversary of the date of recording of this order in the event production from Subject Drilling Unit has not theretofore commenced, and once due, shall be tendered, paid or escrowed within sixty (60) days of said anniversary date. Once the initial cash bonus and the annual cash bonuses, if any, are so paid or escrowed, said payment(s) shall be satisfaction in full for the right, interests and claims of such electing gas or oil owner in and to the Gas produced from Subject Formation in the Subject Lands, except, however, for the 1/8th royalties due hereunder.

The election made under this Paragraph 9.2, when so made, shall be satisfaction in full for the right, interests, and claims of such electing person in any well development and operation covered hereby and such electing person shall be deemed to and hereby does lease and assign its right, interests, and claims in and to the Gas produced from Subject Formation in the Subject Drilling Unit to the Applicant.

- 9.3. Option 3 - To Share In The Development And Operation As A Non-Participating Person On A Carried Basis And To Receive Consideration In Lieu Of Cash: In lieu of participating in the development and operation of Subject Drilling Unit under Paragraph 9.1 above and in lieu of receiving a cash bonus consideration under Paragraph 9.2 above, any gas or oil owner named in Exhibit B hereto may elect to share in the development and operation of Subject Drilling Unit on a carried basis (as a "Carried Well Operator") so that the proportionate part of the Completed-for-Production Costs hereby allocable to such Carried Well Operator's interest is charged against such Carried Well Operator's share of production from Subject Drilling Unit. Such Carried Well Operator's right, interests, and claims in and to the Gas in Subject Drilling Unit shall be deemed and hereby are assigned to the Applicant until the proceeds from the sale of such Carried Well Operator's share of production from Subject Drilling Unit (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 (whichever is applicable) of such Carried Well Operator's share of the Completed-for-Production Costs allocable to the interest of such Carried Well Operator. When the Applicant or the Unit Operator recoup and recover from such Carried Well Operator's assigned interest the amounts provided for above, then, the assigned interest of such Carried Well Operator shall automatically revert back to such Carried Well Operator, and from and after such reversion, such Carried Well Operator shall be treated as if it had participated initially under Paragraph 9.1 above; and thereafter, such participating person shall be charged with and shall pay his proportionate part of all further costs of such well development.

The election made under this Paragraph 9.3, when so made, shall be satisfaction in full for the right, interests, and claims of such electing person in any well development and operation covered hereby and such electing person shall be deemed to have and hereby does assign the right, interests, and claims in and to the Gas produced from Subject Formation in the Subject Drilling Unit to the Applicant for the period of time during which its interest is carried as above provided prior to its reversion back to such electing person.

10. Failure to Properly Elect: In the event a person named in Exhibit B hereto has not reached a voluntary agreement to share in the operation of any well contemplated by this Order at a rate of payment mutually agreed to by said gas or oil owner and the Applicant or the Unit Operator, and said person fails to elect within the time, in the manner and in accordance with the terms of this Order, one of the alternatives set forth in Paragraph 9 above, then such person shall be deemed to have elected not to participate in the proposed development and operation of Subject Drilling Unit and shall be deemed, subject to a final legal determination or ownership, to have elected to accept as satisfaction in full for such person's right, interests, and claims the consideration provided in Paragraph 9.2 above for which its interest qualifies and shall be deemed to have leased and/or assigned his right, interests, and claims in and to the Gas produced from Subject Formation in the Subject Drilling Unit to the Applicant. Persons who fail to properly elect shall be deemed, subject to a final legal determination of ownership, to have accepted the compensation and terms set forth herein at Paragraph 9.2 in satisfaction in full for the right, interests, and claims of such person in and to the Gas produced from the Subject Formation underlying Subject Lands.

11. Default By Participating Person: In the event a person elects to participate under Paragraph 9.1, but fails or refuses to pay, to secure the payment or to make an arrangement with the Unit Operator for the payment of such person's proportionate part of the Allocable, Completed-for-Production Panel Costs as set forth herein, all within the time and in the manner as prescribed in this Order, then such person shall be deemed to have withdrawn his election to participate and shall be deemed to have elected to accept as satisfaction in full for such person's right, interests, and claims in and to the Gas the consideration provided in Paragraph 9.2 above for which his interest qualifies depending on the excess burdens attached to such interest. Whereupon, any cash bonus consideration due as a result of such deemed election shall be tendered, paid or escrowed by the Applicant or the Unit Operator within sixty (60) days after the last day on which such defaulting person under this Order should have paid his proportionate part of such cost or should have made satisfactory arrangements for the payment thereof. When such cash bonus consideration is paid or escrowed, it shall be satisfaction in full for the right, interests, and claims of such person in and to the Gas underlying Subject Drilling Unit in the

Subject Lands covered hereby, except, however, for any royalties which would become due pursuant to Paragraph 9.2 hereof.

12. Assignment of Interest: In the event a person pooled hereby is unable to reach a voluntary agreement to share in the operation of any well contemplated by this Order at a rate of payment mutually agreed to by said gas or oil owner and the Applicant or the Unit Operator, and said person elects or fails to elect to do other than participate under Paragraph 9.1 above in the development and operation of the well in Subject Formations in Subject Drilling Unit, then such person shall be deemed to have and shall have assigned unto the Applicant such person's right, interests, and claims in and to said well, in Subject Formation in Subject Drilling Unit, and other share in production to which such person may be entitled by reason of any election or deemed election hereunder in accordance with the provisions of this Order governing said election.

13. Unit Operator (or Operator): Consol, Inc. (successor to OXY USA, Inc.), be and hereby is designated as Unit Operator authorized to drill and operate any well in Subject Formation in Subject Drilling Unit, all subject to the permit provisions contained in Section 45.1-361.27 et seq., Code of Virginia, 1950 as amended, §§ 480-05-22.1 et seq., Gas and Oil Regulations and §§ 480-05-22.2 et seq., Virginia Gas and Oil Board Regulations, as amended from time to time, and all elections required by this Order shall be communicated to Unit Operator in writing at the address shown below:

CONSOL, INC.
P. O. Box 947
Bluefield, VA 24605
Phone: (703) 326-6000
Fax: (703) 326-6389
Attn: Leslie K. Arrington

14. Commencement of Operations: Unit Operator shall commence or cause to commence operations for the drilling of any well covered hereby within three hundred and sixty-five (365) days from the date of this Order and shall prosecute the same with due diligence. If Unit Operator shall not have so commenced and/or prosecuted, then this Order shall terminate, except for any cash sums becoming payable hereunder; otherwise, unless sooner terminated by Order of the Board, this Order shall expire at 12:00 P.M. on the date on which any well covered by this Order is permanently abandoned and plugged. However, in the event an appeal is taken from this Order, then the time between the filing of the petition for appeal and the final Order of the Circuit Court shall be excluded in calculating the three hundred sixty-five day period referred to herein.

Upon completion of any Well whose costs comprise part of the allocable completed-for-production costs set forth in Paragraph 9.1 above, and within 90 days after production into the gathering pipeline is obtained, the Operator shall file with the Board a revised exhibit reflecting the actual Completed-for-Production Costs which are allocable to the Subject Drilling Unit.

15. Operator's Lien: Applicant, in addition to the other rights afforded hereunder, shall have a lien and a right of set off on the rights and interests owned by any person subject hereto who elects to participate under Paragraph 9.1 in the Subject Drilling Unit to the extent that costs incurred in the drilling or operation on the Subject Drilling Unit are chargeable against such person's interest. Such liens and right of set off shall be separable as to each separate person and shall remain liens until the Unit Operator drilling or operating any well covered hereby has been paid the full amounts due under the terms of this Order.

16. Escrow Provisions:

By this Order, the Board instructs the Escrow Agent named herein or any successor named by the Board to establish an interest-bearing escrow account, (herein "the Escrow Account") to receive and account to the Board pursuant to its agreement for the escrowed funds hereafter described:

Tazewell National Bank
P. O. Box 909
Tazewell, VA 24651
(herein "Escrow Agent")

16.1. Escrow Provisions For Unknown or Unlocatable Persons: If any payment of bonus, royalty payment or other payment due and owing under this Order cannot be made because the person entitled thereto cannot be located or is unknown, then such cash bonus, royalty payment, or other payment shall not be commingled with any funds of the Unit Operator, and pursuant to Section 45.1-361.21.D, Code of Virginia, 1950 as amended, said sums shall be deposited by the Operator into the Escrow Account, commencing within sixty (60) days of recording of this Order, and continuing thereafter on a monthly basis with each deposit to be made, by use of a report format approved by the Inspector, by a date which is no later than sixty (60) days after the last day of the month being reported and/or for which funds are being deposited. Such funds shall be held for the exclusive use of, and sole benefit of the person entitled thereto until such funds can be paid to such person(s) or until the Escrow Agent relinquishes such funds as required by law or pursuant to Order of the Board in accordance with § 45.1-361.21.D., Code of Virginia, 1950 as amended.

16.2 Escrow Provisions For Conflicting Claimants: If any payment of bonus, royalty payment of other payment due and owing under this Order cannot be made because the person entitled thereto cannot be made certain due to conflicting claims of ownership and/or a defect or cloud on the title, then such cash bonus, royalty payment or other payment, together with Participating Operator's Proportionate Costs paid to Operator pursuant to Paragraph 9.1 hereof, if any, (1) shall not be commingled with any funds of the Applicant or the Unit Operator; and (2) shall, pursuant to Virginia Code Sections 45.1-361.22.A.2, 45.1-361.22.A.3 and 45.1-361.22.A.4, be deposited by the Operator into the Escrow Account within sixty (60) days of recording of this Order, and continuing thereafter on a monthly basis with each deposit to be made, by use of a report format approved by the Inspector, by a date which is no later than sixty (60) days after the last day of the month being reported and/or for which funds are subject to deposit. Such funds shall be held for the exclusive use of, and sole benefit of, the person entitled thereto until such funds can be paid to such person(s) or until the Escrow Agent relinquishes such funds as required by law or pursuant to Order of the Board.

17. Special Findings: The Board specifically and specially finds:

17.1. Applicant is a Virginia general partnership comprised of Appalachian Operators, Inc., and Appalachian Methane, Inc., and is duly authorized and qualified to transact business in the Commonwealth of Virginia;

17.2 Applicant claims ownership of gas leases, coalbed methane gas leases, and/or coal leases representing 99.6875 percent of the oil

and gas interest and 100 percent of the coal interest in Subject Drilling Unit, and Applicant claims the right to explore for, develop and produce coalbed methane gas from coal seams below the Tiller seam in Unit Number O-3/B in Buchanan County, Virginia, which Subject Lands are more particularly described in Exhibit "A";

- 17.3 Applicant delegated to OXY USA Inc., authority to explore, develop and maintain the properties and assets of Buchanan now owned or hereafter acquired, which delegation is evidenced by resolution of the management committee of Applicant. Thereafter, OXY USA, Inc. resigned as Professional Manager of Applicant and by Board action taken on September 21, 1993, the Board transferred the right to operate Subject Drilling Unit from OXY USA, Inc. to Consol, Inc. by naming Consol, Inc. as the Unit Operator effective at the end of the day September 30, 1993. Further, Consol, Inc. has accepted Applicant's delegation and has agreed to explore, develop and maintain the properties and assets of Buchanan, and has consented to serve as coalbed methane gas well Unit Operator for Subject Drilling Unit and to faithfully discharge the duties imposed upon it as Unit Operator by the Board's Orders, statute and regulation;
- 17.4 Consol, Inc. is a Delaware corporation duly authorized to transact business in the Commonwealth of Virginia and is an operator in the Commonwealth of Virginia and has satisfied the Board's requirements for operations in Virginia;
- 17.5 Applicant and the Unit Operator have proposed the drilling of one (1) well on the Subject Drilling Unit to develop the pool in Subject Formations. Exhibit G, Page 1 depicts Island Creek Coal Company's VP-3 Mine works underlying Subject Drilling Unit.
- 17.6 The estimated total production from Subject Drilling Unit is 125 to 550 MMCF. The estimated amount of reserves from the Subject Drilling Unit is 125 to 550 MMCF.
- 17.7 Respondents are listed on Exhibit "B". Set forth in Exhibit "B" is the name and last known address of each person identified by the Applicant as having or claiming a potential interest in the Coalbed Methane Gas in Subject Formation in Subject Drilling Unit underlying and comprised of Subject Lands, who (1) were not heretofore named as a Respondent in proceedings for Docket No. VGOB 92-0915-0261, and (2) have not, in writing, leased to the Applicant or the Unit Operator and/or voluntarily pooled their interests in Subject Drilling Unit for its development which interests represent 0.3125 percent of the oil and gas interests and 0 percent of the coal interests in Subject Drilling Unit;
- 17.8 The Board has heretofore been presented with Exhibit K, a contract approval abstract, which purports to summarize the basic agreements reached by Island Creek Coal Company, OXY USA, Inc. and Buchanan Production Company concerning the consideration to be paid by Applicants for the use of the well bores to be used to produce gas from Subject Drilling Unit, which cost is incorporated in and made a part of the Allocable, Completed-for-Production Cost, set forth in Paragraph 9.1 above or on Exhibit G hereto.
- 17.9 Applicant's evidence established that the fair, reasonable and equitable compensation to be paid to any person in lieu of the right to participate in any well covered hereby are those options provided in Paragraph 9 above;

17.10 The Board has not heretofore entered an Order pooling interests for Subject Drilling Unit pursuant to its Oakwood Coalbed Gas Field I Order, OGCB No. 3-90. The Board has heretofore entered an Order pooling interests for Subject Drilling Unit pursuant to Oakwood Coalbed Gas Field II, Order VGOB 91-1119-0162, under VGOB Docket No. 92-0915-0261; however, Norfolk Southern Corporation named in Exhibit B hereto was a party to the pooling proceedings under VGOB Docket No. 92-0915-0261;

17.11 The relief requested and granted is just and reasonable, is supported by substantial evidence and will afford each person listed and named in Exhibit B hereto the opportunity to recover or receive, without unnecessary expense, such person's just and fair share of the production from Subject Drilling Unit. The granting of the Application and relief requested therein will ensure to the extent possible the greatest ultimate recovery of coalbed methane gas, prevent or assist in preventing the various types of waste prohibited by statute and protect or assist in protecting the correlative rights of all persons in the subject common sources of supply in the Subject Lands. Therefore, the Board is entering an Order granting the relief herein set forth;

18. Mailing Of Order And Filing Of Affidavit: Operator or its Attorney shall file an affidavit with the Secretary of the Board within sixty (60) days after the date of recording of this Supplemental Order stating that a true and correct copy of said Order was mailed within seven (7) days from the date of receipt of this Order to each person pooled by this Order whose address is known.

19. Availability of Unit Records: The Director shall provide all persons not subject to a lease with reasonable access to all records for Subject Drilling Unit which are submitted by the Unit Operator to said Director and/or his Inspector(s).

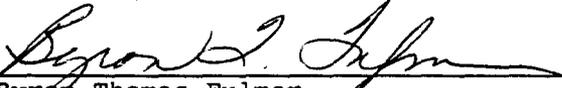
20. Conclusion: Therefore, the requested relief and all terms and provisions set forth above be and hereby are granted and IT IS SO ORDERED.

21. Effective Date: This Order shall be effective on the date of its execution.

DONE AND EXECUTED the 24th day of March, 1994, by a majority of the Virginia Gas and Oil Board.

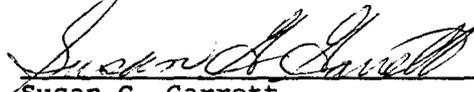

Chairman Benny R. Wampler

DONE AND PERFORMED this 24th day of March, 1994, 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 24th day of March, 1994, personally before me a notary public in and for the Commonwealth 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.

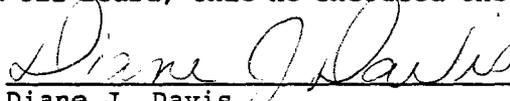


Susan G. Garrett
Notary Public

My commission expires 7/31/94

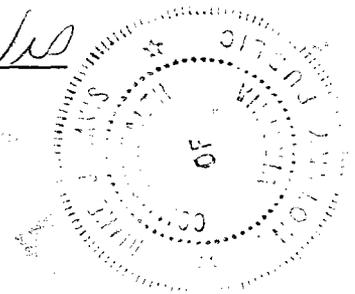
STATE OF VIRGINIA)
COUNTY OF WASHINGTON)

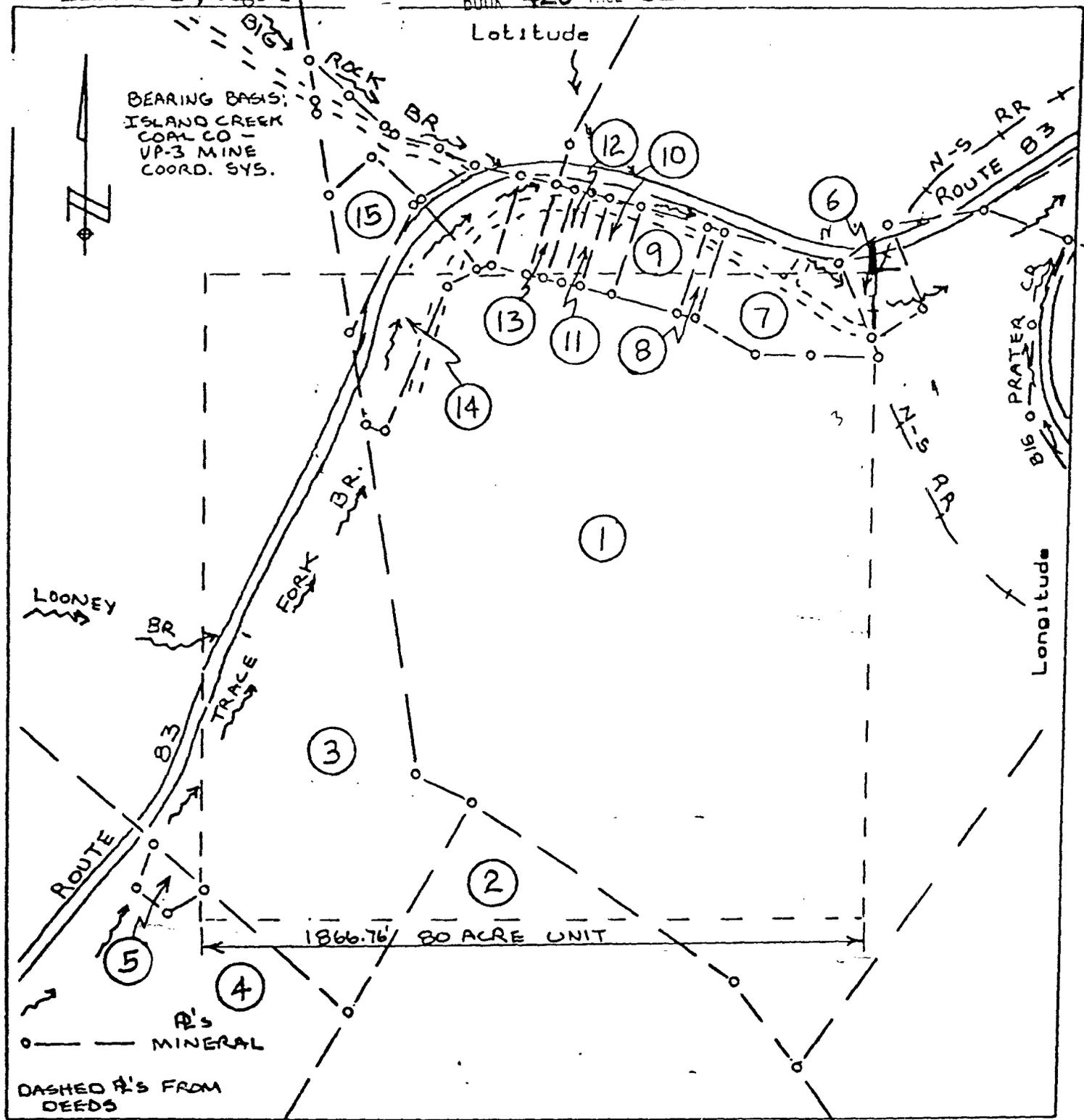
Acknowledged on this 24th day of March, 1994, personally before me a notary public in and for the Commonwealth of Virginia, appeared Byron Thomas Fulmer, being duly sworn did depose and say that he is Principal Executive to the Staff of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.



Diane J. Davis
Notary Public

My commission expires 9/30/97



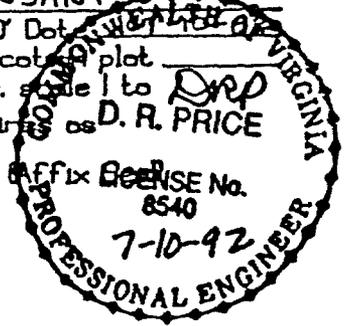


WELL LOCATION PLAT

Company OXY USA Inc. Well Name and Number UNIT 03
 Tract No. N/A Elevation N/A Quadrangle VANSANT
 County BUCHANAN District SOUTH GRUNDY Scale: 1" = 400'

This Plat is a new plot ; on updated plot _____; or a final location plot _____
 + Denotes the location of a well on United States topographic Maps, scale 1 to 24,000, latitude and longitude lines being represented by border lines as shown.

D. R. Price
 Licensed Professional Engineer or Licensed Land Surveyor



Docket No. VG0B-93-05-18-0373PARTIES RESPONDENT
EXHIBIT "B"Unit No.: O-3RESPONDENT(S) WHO HAVE NOT LEASED OR OTHERWISE CONTRACTED WITH
APPLICANT

<u>Owner</u>	<u>Mineral Ownership</u>	<u>Net Acreage Within Unit</u>	<u>Undivided Net Interest Within Unit</u>
Tract <u>6</u>			
1. Big Prater Creek Primitive Baptist Church c/o A. T. Hagy, Trustee Rt. 2, Box 102 Vansant, Va 24656	Oil & Gas	0.0 Ac.	0.0%
2. Norfolk Southern Corporation 185 Spring Street Atlanta, GA 30303	Oil & Gas	0.25 Ac.	0.3125%

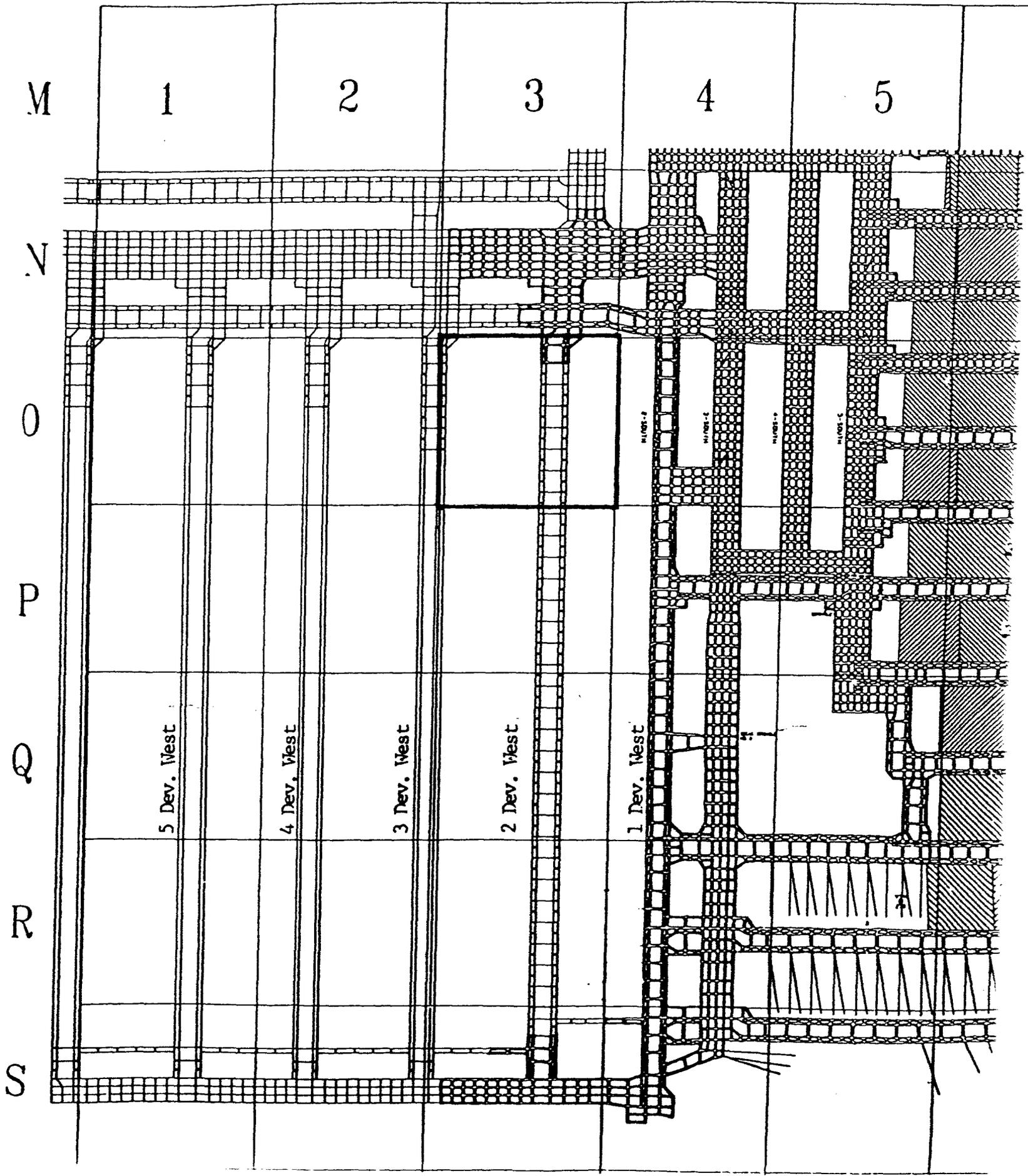
Docket No. VG0B-93-0518-0373

EXHIBIT "B1"

Other persons entitled to notice under Va. Code Ann. § 45.1-361.19

	<u>Name</u>	<u>Status of Ownership</u>
1.	None.	

Applicant, has under lease or contract the Coalbed Methane Gas underlying the tract(s) within this unit from all other interest owners.



780

#

CLERK'S OFFICE CIRCUIT COURT
BUCHANAN COUNTY, VIRGINIA

Filed and admitted to record.

This 31 day of March, 1994
at 7:21 o'clock P. M.

Recorded Used Book _____ Page _____

039 State Tax _____

213 County Tax _____

212 Transfer 25.00

301 Recording _____

038 State Tax _____

220 Local Tax _____

145 VSIF 1.00

Total 26.00

Tesle James M. Bevins, Jr., Clerk

By _____ D.C.

Deputy M. M & E