

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

SUPPLEMENTAL ORDER REGARDING  
ELECTIONS, UNIT: EH-108  
(herein "Subject Drilling Unit")

DOCKET NUMBER VGOB-93/01/19-0313

REPORT OF BOARD

FINDINGS AND ORDER

1. This Supplemental Order is entered by the Board sua sponte in the form authorized by the Board at its hearing held at 9:00 a.m. on October 20, 1992, Board of Supervisors Room, Courthouse, Grundy, Virginia, and pursuant to authority granted to the Board's Chairman at the hearing of the Virginia Gas and Oil Board on June 16, 1992 at 9:00 a.m. at the Rhododendron Restaurant at the Breaks Interstate Park, Breaks, Virginia; and this Supplemental Order is being recorded for the purpose of (1) complying with the requirements of § 7.c of the Virginia Gas and Oil Board Regulations, VR 480-05-22.2 by supplementing the Order previously issued by the Board for the subject Docket on February 23, 1993 and recorded at Deed Book 289, Page 751 in the Office of the Clerk of the Circuit Court, Dickenson County, Virginia on March 5, 1993 (herein "Board Order") to complete the record regarding elections. The Board Order pooled all interests in Subject Drilling Unit including those of the Respondents more particularly set forth and identified by the Designated Operator in the affidavits attached hereto and made a part hereof. The Board finds it has jurisdiction over the subject matter pursuant to the provisions of the Virginia Gas and Oil Act, § 45.1-361.1 et seq., Virginia Code, 1950 as amended.

2. Findings: The Board finds that:

(a) The Board Order directed Edwards & Harding Petroleum Company (now Virginia Gas Company) (herein the "Designated Operator"), to mail copies of the Board Order to all Respondents whose interests, if any, were pooled by said Board Order;

(b) The Designated Operator filed its affidavit of mailing dated March 19, 1993 disclosing that it had mailed a true and correct copy of the Board's Order to all Respondents whose interests, if any, were pooled by said Board Order;

(c) The Board Order required each Respondent whose interests, if any, were pooled by the terms of said Board Order to make his or her election within thirty (30) days after the date of mailing or recording, as applicable, of said Order; the Designated Operator has filed its affidavit dated May 17, 1993 in accordance with 7.c of the Virginia Gas and Oil Board Regulations and VR 480-05-22.2 (herein "Affidavit of Election"), wherein it has, for each Respondent whose interests, if any, were pooled by said Board Order, stated: (i) whether each Respondent has made or failed to make a

timely election; (ii) the nature of the election made, if any; (iii) whether, by reason of a failure to elect or to timely elect one or more Respondents are deemed, under the terms of the Board's Order, to have leased all their rights, title, interests, estates and claims in Subject Drilling Unit to the Designated Operator;

(d) The Board Order further required the Designated Operator, after expiration of the election period, to file with the Board a statement of the interests subject to escrow under the terms and provisions of the Board Order, in light of the elections made or deemed to have been made (herein "Statement of Interests"); that the Designated Operator furnished said Statement of Interest as part of its Affidavit of Election. A copy of which is attached.

(e) Current Board standards requiring the escrow of funds and the Board's agreement with its Escrow Agent, Tazewell National Bank, P. O. Box 909, Tazewell, Virginia 24651, or any successor named by the Board, require the entry of a Supplemental Order establishing of record the elections made or deemed to have been made and specifying the sums or percentage thereof subject to escrow.

3. Order: By this Order, the Board orders the Designated Operator to tender, consistent with and in accordance with the findings set forth at paragraph 2. above and the annexed Affidavits, any funds subject to escrow and instructs the Escrow Agent, Tazewell National Bank, P. O. Box 909, Tazewell, Virginia 24651, or any successor named by the Board to establish interest-bearing escrow account(s), IRS Tax Identification Number 54-1629506, in accordance with the information set forth in said Affidavits to receive such funds and account to the Board therefore.

4. Mailing of Order and Filing of Affidavit: The Designated Operator under the captioned order or its Attorney shall file an affidavit with the Secretary of the Board within ten (10) days after the date of receipt of this Order stating that a true and correct copy of this Order was mailed within seven (7) days from the date of receipt of this Order to each person whose interest or claim is subject to escrow and whose address is known.

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

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

DONE AND EXECUTED this 3rd day of January 1998, by a majority of the Virginia Gas and Oil Board.

  
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 Chairman, Benny R. Wampler

STATE OF VIRGINIA)  
 COUNTY OF WISE )

Acknowledged on this 3rd day of January, 199~~3~~<sup>4</sup>, 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  
Susan G. Garrett  
Notary Public

My commission expires 7/31/94

DONE AND PERFORMED this 3rd day of January, 199~~3~~<sup>4</sup> by Order of this Board.

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

STATE OF VIRGINIA  
COUNTY OF WASHINGTON

Acknowledged on this 3rd day of January, 199~~3~~<sup>4</sup>, 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  
Diane J. Davis  
Notary Public

My commission expires 9/30/97

VIRGINIA:

## BEFORE THE VIRGINIA GAS AND OIL BOARD

IN RE:

Application of Edwards & Harding Petroleum Company (now Virginia Gas Company) for Forced Pooling of Interests in Unit Number EH-108, VGOB Docket No. VGOB-93/0119-0313 in the Sand Lick District of Dickenson County, Virginia

AFFIDAVIT OF Edwards & Harding Petroleum Company (now Virginia Gas Company) (herein "Designated Operator") REGARDING ELECTIONS, ESCROW AND SUPPLEMENTAL ORDER

James D. Rasnake (herein Affiant), being first duly sworn on oath, deposes and says:

1. That your Affiant is employed by Virginia Gas Company, the Designated Operator, at its office located at 120 South Court Street, Abingdon, Virginia 24210 that your Affiant is the Designated Operator's Land Manager, and is authorized to give this Affidavit in its behalf;
2. That the Order entered on February 23, 1993, by the Virginia Gas and Oil Board regarding the captioned (CBM or conventional) Unit required the Applicant to mail a true and correct copy of said Order to each person pooled by said Order;
3. That within seven (7) days of the receipt of an executed copy of the Order referred to at Paragraph 2. above, your Affiant caused a true and correct copy of said Order to be mailed via the United States Postal Service to each Respondent named in the captioned Application, whose address was known, and to all persons, if any, who were added as Respondents at the hearing held in the captioned matter; that annexed hereto and incorporated herein are copies of the letters of transmittal, receipts for certified mail, and return receipts pertaining to said mailing;
4. That the Order of the Virginia Gas and Oil Board in the captioned matter required all persons pooled thereby to tender their written elections to the Unit Operator within thirty (30) days of the date said Order was recorded in the county above named; that said Order was recorded on March 5, 1993;
5. That the Designated Operator, Edwards & Harding Petroleum Company (now Virginia Gas Company), has established procedures to review all mail received and all written documents received by means other than by mail to ascertain whether parties whose interests have been pooled have made a written election, in a timely fashion, as required by the captioned Order; that said procedures were followed to identify the elections, if any, made with regard to Subject Unit; that the following persons delivered, by mail or otherwise, written elections to the Unit Operator, within the thirty day election period:  
  
NONE
6. That the interests and/or claims of the following persons (who made timely elections, or who are deemed under the terms of the Board's Order to have leased, or who, subsequent to the pooling hearing held in the captioned matter, have leased or otherwise entered into an agreement with the Designated Operator) are subject to escrow under

the Board's Order pooling the captioned Unit, Board Regulations and the Code of Virginia; that opposite the name of each person named as a Respondent listed below is set forth:

SEE ATTACHED

- 7. That after the pooling hearing held in the captioned matter, the following persons have leased or entered into a voluntary agreement with the Designated Operator with regard to their interests and/or claims which are not subject to escrow and should, therefore, be dismissed as Respondents: NONE
- 8. That pursuant to the provisions of VR 480-05-22.27.C and VR 480-05-22.2.8, annexed hereto and incorporated herein is a proposed supplemental order to be entered to complete the record regarding elections; that said annexed supplemental order sets forth and identifies the conflicting claims and/or interests which require escrow of funds pursuant to the terms of §§ 45.1-361.21.D, 45.1-361.22.A.3 and 4.;

Dated at Abingdon, Virginia, this 17th day of May, 1993.

James D. Rasnake  
Affiant

Taken, subscribed and sworn to before me by James D. Rasnake, the Land Manager of Virginia Gas Company, a corporation,

on behalf of the corporation, this 17th day of May, 1993.

1993.

My commission expires: 9/30/96  
Brenda K. Stephenson  
Notary

AFFIDAVIT

THIS AFFIDAVIT is to certify that Virginia Gas Company has mailed, within seven (7) days from its receipt of the VGOB Report of the Board, Findings and Order concerning the EH-108 well unit (Docket No. VGOB 93/01/19-0313), a true and correct copy of said report to each person pooled by this order whose address is shown on Exhibit B of said report.

Dated this 19th day of MARCH, 1993.

Signature:

*James D. Rasnake*

James D. Rasnake  
Land Manager  
Virginia Gas Company

ACKNOWLEDGMENT



COMMONWEALTH OF VIRGINIA )

COUNTY OF WASHINGTON)

SUBSCRIBED AND SWORN to before me this 19th day of March, 1993.

*Brenda K. Stephenson*  
Notary Public

My commission expires:

September 30, 1996.

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: VIRGINIA GAS COMPANY )

RELIEF SOUGHT: (1) ESTABLISHMENT OF THE ) VIRGINIA GAS  
 DRILLING UNIT DESCRIBED IN ) AND OIL BOARD  
 EXHIBIT "A" HERETO AND SERVED )  
 BY WELL NO. EH-108 (herein )  
 "Subject Drilling Unit") ) DOCKET NO.  
 PURSUANT TO § 45.1-361.20 ) 93-0119-0313  
 CODE OF VIRGINIA; AND (2) POOLING )  
 OF INTERESTS IN SUBJECT DRILLING )  
 UNIT PURSUANT TO § 45.1-361.21, )  
 CODE OF VIRGINIA, FOR THE )  
 PRODUCTION OF CONVENTIONAL NATURAL )  
 GAS FROM SUBJECT FORMATIONS )  
 (herein sometimes referred to )  
 as "Gas") )

LEGAL DESCRIPTION: )

DRILLING UNIT SERVED BY WELL NUMBERED )  
 EH-108, HAYSI QUADRANGLE, )  
 SANDLICK MAGISTERIAL DISTRICT, )  
 DICKENSON COUNTY, VIRGINIA )  
 (the "Subject Lands" are more )  
 particularly described on Exhibits )  
 "A" and "A-1", attached hereto and made a )  
 part hereof) )

REPORT OF THE BOARD

FINDINGS AND ORDER

1. Hearing Date and Place: These matters came on for hearing before the Virginia Gas and Oil Board (hereafter "Board") at 9:00 a.m. on January 19, 1993, Dickenson Conference Room, Southwest Virginia Education 4-H Center, Abingdon, Virginia.

2. Appearances: Stanford T. Mullins of the firm Street, Street, Street, Scott and Bowman, appeared for the Applicant; and Sandra B. Riggs, Assistant Attorney General, was present to advise the Board.

3. Jurisdiction and Notice: Pursuant to § 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 a meaningful search of reasonably available sources to determine the identity and whereabouts of each gas or oil owner, coal owner, or mineral owner identified by Applicant as having an interest in Subject Drilling Unit comprised of Subject Lands as listed in Exhibit B; (2) has given notice to all parties (hereafter sometimes "person(s)" whether referring to individuals, corporations, partnerships, associations, companies, businesses, trusts, joint ventures or other legal entities) entitled by § 45.1-361.19, Virginia Code, 1950 as amended, to notice of this application; (3) that the persons set forth in Exhibit C hereto are owners of unleased gas and oil interests in Subject Drilling Unit; and (4) that the persons set forth in Exhibit E are oil and gas owners whose locations are unknown. Further, the Board has caused notice of this hearing to be published as required by § 45.1-361.19.B, 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: Added Exhibit A-1.

5. Dismissals: None.

6. Relief Requested: Applicant requests: (1) that pursuant to § 45.1-361.20, Code of Virginia, 1950, as amended, the Board establish Subject Drilling Unit to be served by Well No. EH-108; (2) that pursuant to § 45.1-361.21, Code of Virginia, 1950 as amended, the Board pool all rights, interests and estates in Subject Drilling Unit, including those of known and unknown persons listed in Exhibit B hereto 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 conventional gas produced from the Subject Drilling Unit hereby established for the formations described as from the base of the Berea to the Surface, including, but not limited to the Berea, Weir, Maxon, Big Lime, Ravencliff and Devonian Shale Formations and all areas in between (herein "Subject Formations") 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, (3) that the Board designate Applicant as Unit Operator.

7. Relief Granted: The requested relief in this cause be and hereby is granted and: (1) pursuant to § 45.1-361.20, Code of Virginia, 1950 as amended, the Board hereby establishes Subject Drilling Unit; and (2) pursuant to § 45.1-361.21.C.3, Code of Virginia, 1950 as amended, Virginia Gas Company (hereafter "Unit Operator") is designated as the Operator authorized to drill and operate Well No. EH-108 in the Subject Drilling Unit to produce Gas from Subject Formations, subject to the permit provisions contained in § 45.1-361.27 et seq., Code of Virginia, 1950 as amended, 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 (3) all the interests and estates in Subject Drilling Unit, including those of the known and unknown persons listed on Exhibits B, C and/or E hereto, and their known and unknown heirs, executors, administrators, devisees, trustees, assigns and successors, both immediate and remote, be and hereby are pooled for the drilling and operation, including production, of Gas produced from the Subject Formations in the Subject Drilling Unit underlying and comprised of the Subject Lands.

<u>Subject Formations</u>	<u>Unit Size</u>	<u>Permitted Well Location</u>	<u>Field and Well Classification</u>
Base of the Berea formation to Surface, including, but not limited to the Berea, Weir, Maxon, Big Lime, Ravencliff and Devonian Shale and all areas between	Approximately 125.66-acre circular unit	EH-108 (See Exhibits A and A-1 for	No applicable field rules; statewide spacing under § 45.1-361.17, Code of Virginia for conventional gas well

For the Subject Drilling Unit  
underlying and comprised of the Subject  
Land Served by Well No. EH-108

Dickenson County, Virginia

8. Election and Election Period: Any gas or oil owner named in Exhibit C 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 C may elect to participate in the development and operation of the Subject Drilling Unit (hereafter "Participating Operator") by agreeing to pay 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 ("Completed for Production Costs"). Further, a Participating Operator agrees to pay such Participating Operator's proportionate part of the Estimated, Completed-for-Production Costs 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, Completed-for-Production Costs for the Subject Drilling Unit are as follows:

Estimated, Completed-for-Production Costs - \$266,560.00

A Participating Operator's proportionate cost hereunder shall be that proportion of said costs which the number of net mineral acres in the Subject Drilling Unit owned or claimed by such Participating Operator bears to the total number of mineral acres in Subject Drilling Unit. Provided, however, that in the event a Participating Operator elects to participate and fails or refuses to pay his proportionate part of the Estimated, Completed-for-Production 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 C may elect to accept a cash bonus consideration of \$5.00 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 Unit Operator for the sale of the Gas and Gas condensate produced from any well development covered by this Order (for purposes of this Order, net proceeds shall be actual proceeds received less all post-production costs incurred downstream of the

wellhead, including but not limited to, all 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 owner, and any owner of a leased interest may elect to accept a cash bonus consideration to be paid to said 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 all right, title, interests, estates, and claims of such electing gas or oil owner to the Gas produced from Subject Formations in the Subject Lands, except, however, for the 1/8th royalty interest provided from above.

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

- 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 C 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 Well EH-108 in Subject Drilling Unit. All of such Carried Well Operator's rights, title, interests, estates and claims to Gas in Subject Formations in Subject Drilling Unit shall be deemed and hereby are assigned to the Unit Operator until the proceeds from the sale of such carried well operator's share of production from said Subject Formation in 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 Unit Operator recoups and recovers 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 all rights, title, interests, estates 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 all its rights, title, interest, estates and claims to Gas in Subject Formations in the Subject Drilling Unit to the Unit Operator 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 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 Well EH-108 in Subject Drilling Unit and shall be deemed to have elected to accept as satisfaction in full for all such person's right, title, interests, estates 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 all his right, title, interests, estates and claims to Gas from Subject Formations in the Subject Drilling Unit to the Unit Operator. Persons who fail to properly elect shall be deemed to have accepted the compensation and terms set forth herein at Paragraph 9.2 in satisfaction in full for all right, title, interests, estates and claims of such person to Gas from Subject Formations in the 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 Estimated Completed-for-Production 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, title, interest, estates and claims 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 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 all right, title, interests, estates and claims of such person to Gas from the Subject Formation 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 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 Unit Operator all of such person's right, title, interests, estates and claims in and to the Gas from said well, from Subject Formations 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.

13. Unit Operator (or Operator): The Applicant, Virginia Gas Company, be and hereby is designated as Unit Operator authorized to drill and operate Well No. EH-108 in Subject Drilling Unit to produce conventional natural gas from Subject Formations, 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, all 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:

Virginia Gas Company  
P. O. Box 2407  
Abingdon, VA 24210  
Phone: (703) 676-2380  
Attn: Mike Edwards

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 one year period referenced to herein.

15. Operator's Lien: Unit Operator, in addition to the other rights afforded hereunder, shall have a lien and a right of set off on the mineral estates, 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 a charge 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:

16.1 Escrow Account: 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")

16.2 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 shall, pursuant to Section 45.1-361.21.D, Code of Virginia, 1950 as amended, be deposited by the operator into the Escrow Account, commencing when a sale of gas produced from the well commences and continuing thereafter on a monthly basis with each deposit to be made, by use of the report format approved by the Inspector, by a date which is no later than fifteen (15) days after the last day of each 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. Attached hereto is a listing of all persons who cannot be located together with each person's last known address, if available.

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

- 17.1 Applicant is a Delaware corporation duly authorized and qualified to transact business in the Commonwealth of Virginia;
- 17.2 Applicant claims ownership of gas and oil leases on 32.32 percent of Subject Drilling Unit and the right to explore for, develop and produce conventional gas from same.
- 17.3 Applicant is an operator in the Commonwealth of Virginia and has satisfied the Board's requirements for operations in Virginia;
- 17.4 Applicant has proposed the drilling of Well No. EH-108 on the Subject Drilling Unit to develop the pool in Subject Formations.
- 17.5 Respondents are listed on Exhibit "B". Set forth in Exhibit "C" is the name and last known address of each owner or potential owner of record who has not, in writing, leased or voluntarily pooled their interests in Subject Formations in Subject Drilling Unit for its development, which unleased interests represent 67.68 percent of the unit.
- 17.6 The estimated average production over the life of the proposed well is 100 MCFD. The estimated amount of reserves contained within Subject Drilling Unit is .5 BCF.
- 17.7 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 the well covered hereby are those options provided in Paragraph 9 above.
- 17.8 The Subject Drilling Unit does not constitute an unreasonable or arbitrary exercise of Applicant's right to explore for or produce conventional gas.
- 17.9 The relief requested and granted is just and reasonable, is supported by substantial evidence and will afford each person in the Subject Drilling Unit the opportunity to recover or receive, without unnecessary expense, each person's just and fair share of the production of conventional gas from Subject Formation in Subject Drilling Unit. The granting of the Application and relief requested therein will ensure to the extent possible the greatest ultimate recovery of conventional 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: Applicant or its Attorney shall file an affidavit with the Secretary of the Board within ten (10) days after the date of receipt of this 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 this 23<sup>rd</sup> day of February, 1993, by a majority of the Virginia Gas and Oil Board.

Benny R. Wampler  
Chairman Benny R. Wampler

DONE AND PERFORMED this 23<sup>rd</sup> day of February, 1993, by Order of this Board.

Byron Thomas Fulmer  
Byron Thomas Fulmer  
Principal Executive To The Staff  
Virginia Gas and Oil Board

STATE OF VIRGINIA )  
COUNTY OF WISE )

Acknowledged on this 23<sup>rd</sup> day of February, 1993, 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  
Susan G. Garrett  
Notary Public

My commission expires 7/31/94

STATE OF VIRGINIA )  
COUNTY OF WISE )

Acknowledged on this 23<sup>rd</sup> day of February, 1993, 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.

Susan G. Garrett  
Susan G. Garrett  
Notary Public

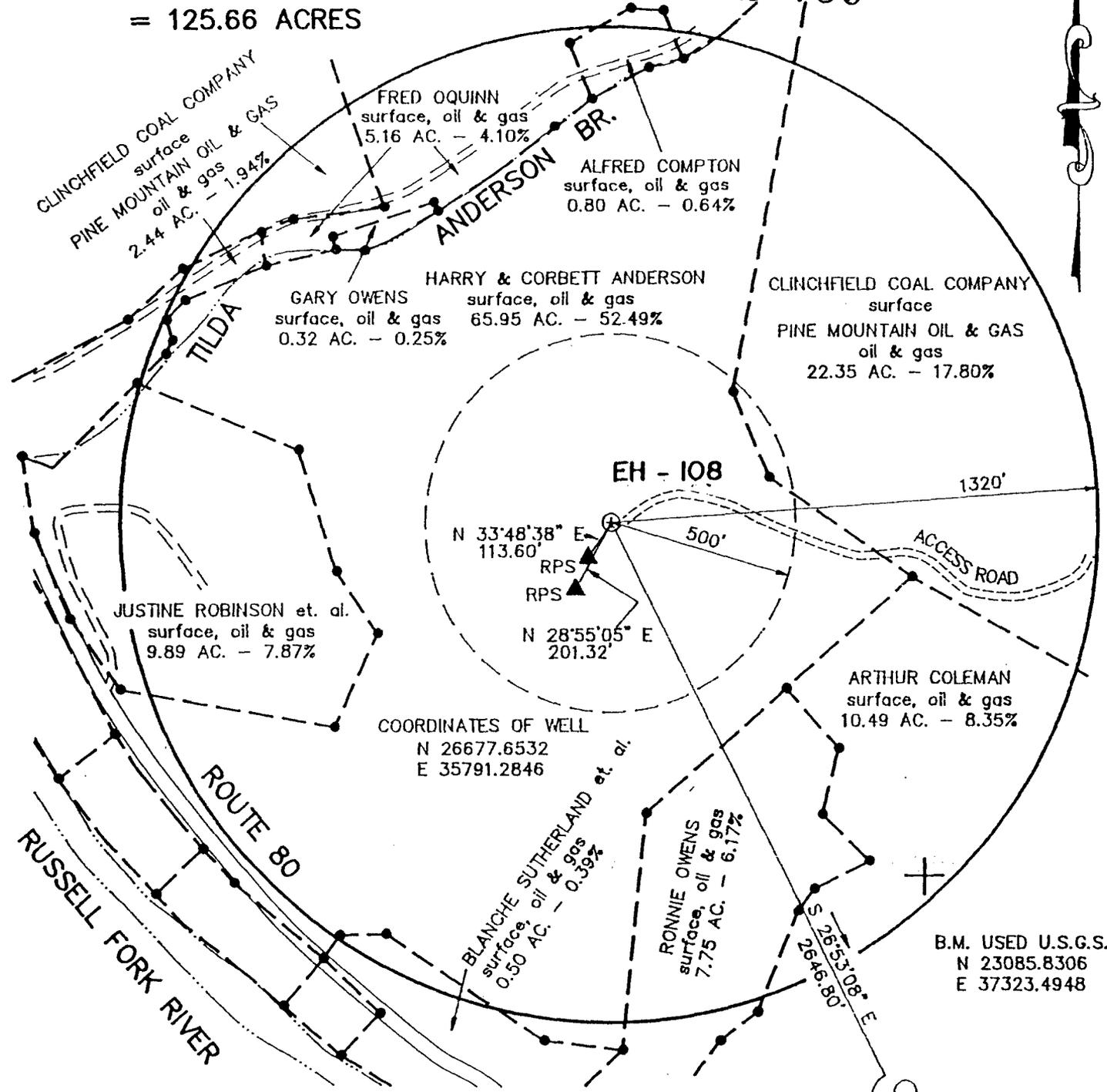
My commission expires 7/31/94

3120'

LATITUDE 37° 12'  
BOOK 289 PAGE 759

EXHIBIT A

TOTAL UNIT AREA  
= 125.66 ACRES



LONGITUDE 82° 15' 00"

12650'

NOTE: WELL COORDINATE SYSTEM IS BASED ON CLINCHFIELD COAL COMPANY MINE COORDINATE SYSTEM

NOTE: COAL OWNERSHIP FOR ALL TRACTS IS CLINCHFIELD COAL COMPANY

WELL EH - 86

WELL LOCATION PLAT

COMPANY Virginia Gas Company WELL NAME AND NUMBER EH - 108

TRACT No. \_\_\_\_\_ ELEVATION 1724.77 (Trig) QUADRANGLE Hay1

COUNTY Dickenson DISTRICT Sandlick SCALE: 1" = 400' DATE MARCH 30, 1992

THIS PLAT IS A NEW PLAT X; AN UPDATED PLAT \_\_\_\_\_; OR A FINAL LOCATION PLAT \_\_\_\_\_

+ 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.

*B. J. Sutherland* 3/31/92

(AFFIX SEAL)

LICENSED PROFESSIONAL ENGINEER OR LICENSED LAND SURVEYOR

EXHIBIT A

EXHIBIT C (Revised)  
EH-108 Well Unit



BOOK 289 PAGE 762

UNLEASED GAS AND OIL OWNERS HAVING  
AN INTEREST IN THE PROPOSED UNIT

	<u>% of Unit</u>	<u>Cost of Participation</u>
Mary Anderson Estate - See Exhibit E	22.54	\$60,082.62
Hazy Anderson Estate - See Exhibit E	23.15	\$61,708.64
Chrisey Anderson Estate - See Exhibit E	21.99	\$58,616.54
Alfred Compton P.O. Box 86 Birchleaf, VA 24220	0.00	--
Blanche Sutherland, et al. Box 41 Birchleaf, VA 24220	0.00	--

		VIRGINIA GAS COMPANY ESCROW ACCOUNT LEDGER									
		ELECTIONS									
WELL #108	VGOB-93-0119-0313	NAME	Deemed Leased	Leased	Participating or Carried	Non-Partic. or Carried	Unknown or Unlocatable	Conflicting Claim	% Unit	Division of Interest	ESCROW Amount Due
HEIRS OF:											
		Mary Anderson Estate						X	0.225600000	0.028200000	\$1,624.20
		Hazy Anderson Estate						X	0.231400000	0.028925000	\$1,665.95
		Chrissey Anderson Estate						X	0.219800000	0.027475000	\$1,582.44
		Alfred Compton						X	-0-	-0-	
		Blanche Sutherland, et al.						X	-0-	-0-	\$4,872.59

VIRGINIA: IN THE OFFICE OF THE CLERK OF THE CIRCUIT COURT OF DICKENSON COUNTY, Jan 16 1994. This deed was this day presented in said office, and upon the certificate of acknowledgment thereto annexed, admitted to record at 12:27 o'clock P.M, after payment of \$        tax imposed by Sec. 58.1-802.

Original returned this date to Diane Davis

TESTE: JOE TATE, CLERK  
BY: Lula Sarge D. CLERK

Clerk's Office Circuit Court  
Dickinson County, Virginia  
Filed and admitted to record,

this 2 day of Jan 1916  
at \_\_\_\_\_ 13:29 P M

Recorded: Feed Book \_\_\_\_\_ P \_\_\_\_\_

- 030 State Tax \$ \_\_\_\_\_
- 213 County Tax \$ \_\_\_\_\_
- 212 Transfer \$ \_\_\_\_\_
- 301 Recording \$ 16.00
- 145 VSLE \$ 1.00
- 038 State Tax \$ \_\_\_\_\_
- \$ 56.50 (6)
- 220 Local Tax \$ \_\_\_\_\_
- \$ 52.40 (6)
- 225 Local Tax \$ 14.00
- \$ 50.40 (6)

Teste: \_\_\_\_\_ Clerk  
BY W. J. Hodge, D.C.