



2. Appearances: James E. Kaiser, Esquire, of Wilhoit and Kaiser appeared for Equitable Production Company, and Sharon M. B. Pigeon, Assistant Attorney General, was present to advise the Board.
3. Jurisdiction and Notice: Pursuant to Va. Code § 45.1-361.1 *et seq.*, the Board finds that it has jurisdiction over the subject matter. The Board, in accordance with Va. Code § 45.1-361.19.B, published notice of the hearing of this matter.
4. Prior Proceedings: Through the Oakwood I Order, the Board established the boundary of the Oakwood I Field and established 80-acre drilling units within same. The Oakwood I Order specifies that any well drilled within a unit must be a minimum of 300 feet from the unit boundary and not within 600 feet of any other CBM well, but allows for the Virginia Gas and Oil Inspector to consider and grant location exceptions on a case-by-case basis. The Order decrees that, unless otherwise provided by law, by order of the Board, or any emergency order issued by the Inspector, no more than one coalbed methane gas well shall be produced from any drilling unit in the Oakwood I Coalbed Methane Field.
5. Relief Considered: Modification of the Oakwood I Order for the purpose of allowing the combination of four specified 80-acre units into one 320-acre provisional unit for drilling of and production from a horizontal CBM gas well in the Pocahontas 3 coal seam.
6. Relief Granted: The Oakwood I Order is modified and amended in the following respects:
  - a. A provisional drilling unit, constructed by combining existing Oakwood I units C36, C37, D36 and D37, having its northwest corner at Virginia State Plane coordinates N 362,327.6 - E 1,010,817.2, its northeast corner at N 362,187.8 - E 1,014,547.0, its southeast corner at N 358,450.6 - E 1,014,407.0, and its southwest corner at N 358,590.3 - E 1,010,677.1, and totaling 320 acres, is created for the purpose of drilling for and producing coalbed methane gas (Exhibit A).
  - b. One well is authorized for the production of CBM gas from the provisional unit described and created above. The authorized well will be in addition to and without regard for wells which have been previously permitted and drilled in the existing Oakwood I Field Units. The well may be spudded at any location 300 feet or more from the boundary of the unit, is to be deviated to approximately horizontal, and is to be drilled in a nearly horizontal fashion in the Pocahontas 3 coal seam or its equivalent. An unspecified number of lateral boreholes may be commenced and drilled in the same coal seam. No borehole or lateral borehole may be drilled within 300 feet of the boundary of the provisional unit.
  - c. CBM gas in the authorized well can be produced only from the Pocahontas 3 coal seam and its equivalents in the provisional unit.

d. Operations under and in accordance with this order, wherever they occur within the provisional unit, shall be regarded and considered as development, operation and production upon all lands included within the subject provisional unit.

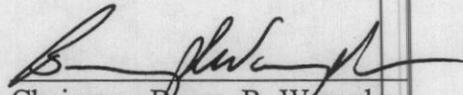
7. Special Findings:

- a. The Board finds that the combination of four existing units as defined by the Oakwood I Field Order provides adequate and sufficient area for development of CBM resources by horizontal drilling methods.
- b. Based on the evidence presented to the Board the applicant has obtained rights to the oil, gas and coalbed methane in the proposed provisional unit, and drilling of the unit does not represent an unreasonable or arbitrary exercise of the owners rights to explore for or produce coalbed methane gas from Subject Lands.
- c. The provisional unit lies on a fee simple tract with one owner, therefore there are no correlative rights issues.
- d. The use of horizontal drilling technology will increase the recovery of CBM from the provisional unit and will prevent or assist in preventing the various types of waste prohibited by statute. Engineering analyses indicate that 85% to 90% of gas in place will be recovered by horizontal drilling while only 60% is recovered by standard vertical drilling.
- e. The use of horizontal drilling technology will accelerate the recovery of CBM from the provisional unit. Engineering analyses indicate that maximum recovery will be obtained in five to seven years instead of the projected 30 to 35 years required by vertical drilling.
- f. The horizontal section of the borehole which occurs within the Pocahontas 3 coal seam will not be cased or hydraulically fractured and, as such, will not interfere with future coal mining.
- g. The applicant will use information gathered from operations in the provisional unit to determine the feasibility of further development and use of horizontal drilling technology and to address correlative rights issues that may occur on tracts with multiple owners.

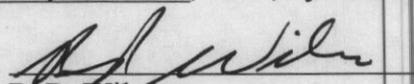
8. Conclusion: Therefore, the relief considered in accordance with the terms and provisions set forth in Paragraph 6 above be and hereby is granted and IT IS SO ORDERED.

9. Effective Date: This Order shall be effective as of January 17, 2003.

DONE AND EXECUTED this 7<sup>th</sup> day of November, 2003, by a majority of the Virginia Gas and Oil Board.

  
Chairman, Benny R. Wampler

DONE AND PERFORMED this 14<sup>th</sup> day of November, 2003, by Order of this Board.

  
B. R. Wilson  
Principal Executive to the Staff  
Virginia Gas and Oil Board

STATE OF VIRGINIA )  
COUNTY OF WISE )

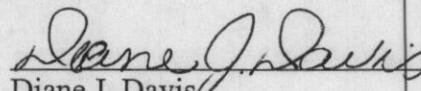
Acknowledged on this 7<sup>th</sup> day of November, 2003, personally before me a notary public in and for the Commonwealth of Virginia, appeared Benny R. Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, that executed the same and was authorized to do so.

  
Susan G. Garrett  
Notary Public

My commission expires July 31, 2006

STATE OF VIRGINIA )  
COUNTY OF WASHINGTON )

Acknowledged on this 14<sup>th</sup> day of November, 2003, personally before me a notary public in and for the Commonwealth of Virginia, appeared B. R. Wilson, being duly sworn did depose and say that he is Principal Executive to the Staff of the Virginia Gas and Oil Board, that executed the same and was authorized to do so.

  
Diane J. Davis  
Notary Public

My commission expires September 30, 2005

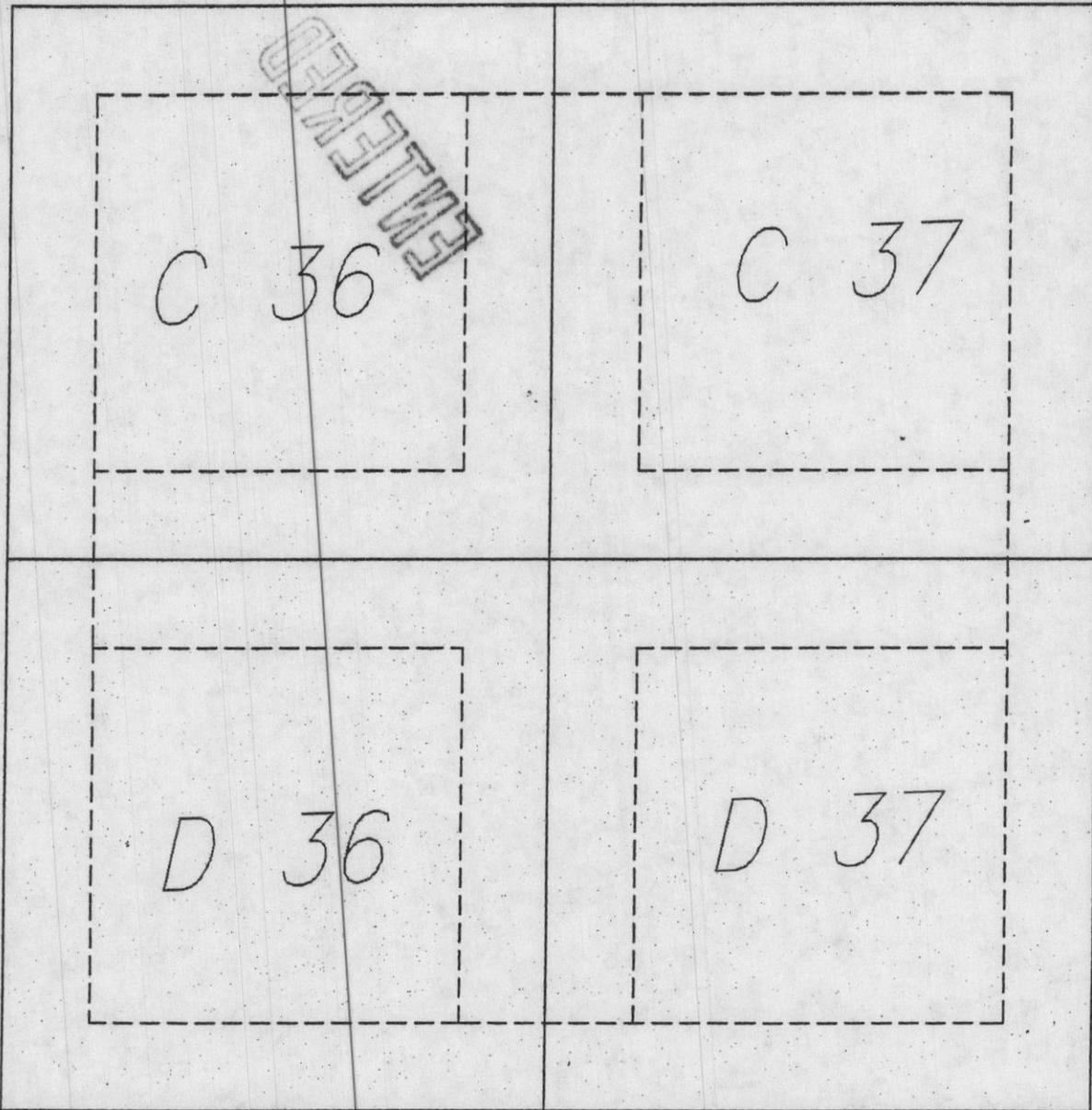
Order Recorded Under Code of Virginia Section 48.1-201.23

N 362,327.6  
E 1,010,817.2

N 362,187.8  
E 1,014,547.0

4,415'

Longitude 81° 52' 30"



N 358,590.3  
E 1,010,677.1

N 358,450.6  
E 1,014,407.0

Area of Proposed Unit = 320 Ac.

Map Showing  
 Drilling Units in the Oakwood Coalbed Gas Field to be Combined  
 To Form One Horizontal Drilling Unit for Well No. VCH-509272

Submitted to the  
 Division of Gas and Oil  
 Virginia Department of Mines, Minerals and Energy

VIRGINIA: In the Clerk's Office of the Circuit Court of Buchanan County. The foregoing instrument was this day presented in the office aforesaid and is, together with the certificate of acknowledgment annexed, admitted to record this 28th day of November, 2003 at 2:13 P. M.  
 Deed Book No. 581 and Page No. 394  
 Returned to: None TESTE James M. Bevens, Jr., Clerk  
 TESTE Quincy S. Allen Deputy Clerk

3 miles