

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: VIRGINIA GAS COMPANY) VIRGINIA GAS AND
A Delaware Corporation) OIL BOARD

RELIEF SOUGHT:) DOCKET NO.
) 96-0220-0538

VACATION OF ORDER ENTERED BY THE)
VIRGINIA OIL AND GAS CONSERVATION)
BOARD ON MARCH 16, 1989, EFFECTIVE)
AUGUST 10, 1988, OF RECORD WITH)
THE OFFICE OF THE CIRCUIT COURT)
CLERK OF SCOTT COUNTY, VIRGINIA IN)
OIL & GAS LEASE BOOK 13, PAGE 575)
(herein "Pooling Order"))
WHICH POOLING ORDER GRANTED)
THE APPLICATION OF PENN VIRGINIA)
RESOURCES FOR POOLING OF OIL AND)
GAS INTERESTS IN A DRILLING UNIT)
AFFECTED BY WELL NUMBER 8809)
(referred to variously as "Subject)
Drilling Unit", "Miller #3 Unit")
and/or "EH-107 Unit") IN THE)
EARLY GROVE GAS AND OIL FIELD OF)
SCOTT AND WASHINGTON COUNTIES,)
VIRGINIA (herein "Early Grove)
Field"))

LEGAL DESCRIPTION:

SUBJECT DRILLING UNIT SERVED)
BY WELL NUMBERED 8809 (herein)
"Well") DEPICTED IN EXHIBIT A)
HERETO, IN THE EARLY GROVE FIELD,)
SCOTT COUNTY, VIRGINIA)

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 February 20, 1996, Dickenson Conference Room, Southwest Virginia 4-H Center, Abingdon, Virginia.

2. Appearances: Elizabeth A. McClanahan of Penn, Stuart, Eskridge & Jones appeared for the Applicant; James E. Kaiser of Hunter, Smith & Davis appeared in behalf of Southern Gas Services, Inc.; 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., 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 and oil owner, coal owner, or mineral owner in the Subject Drilling Unit; (2) has given notice to those parties so identified (hereafter sometimes "person(s)" whether referring to individuals, corporations, partnerships, associations, companies, businesses, trusts, joint ventures or other legal entities) entitled by Va. Code Ann. §§ 45.1-361.19 and 45.1-361.21, to notice of this application; and (3) that, by virtue of voluntary agreements, Applicant claims control of 100% of the gas and oil interests within the Subject Drilling Unit. Further, the Board has caused notice of this hearing to be published as required by Va. Code Ann. §

45.1-361.19.B. 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: Southern Gas Services, Inc., who objected to Applicant's application: (a) presented no evidence that it owned any interest in the Early Grove Field; (b) presented no evidence that it was an oil, gas, coal, or mineral owner within the Early Grove Field as defined by Va. Code Ann. § 45.1-361.1; presented no evidence showing that it was entitled to receive notice of Applicant's application; and, therefore, did not have standing to object or be heard; and was dismissed by the Board.

6. Relief Requested: Applicant requests that pursuant to Va. Code Ann. § §§ 45.1-361.18 and 45.1-361.21, the Board vacate the Pooling Order for Subject Drilling Unit entered on March 16, 1989, effective as of August 10, 1988 of record in the Office of the Circuit Court Clerk for Scott County, Virginia, in Oil & Gas Lease Book 13, Page 575.

7. Relief Granted: The requested relief in this cause be and hereby is granted and the Pooling Order for Subject Drilling Unit entered by the Oil and Gas Conservation Board on March 16, 1989, effective as of August 10, 1988, of record in the Office of the Circuit Court Clerk for Scott County, Virginia, in Oil & Gas Lease Book 13, Page 575, is hereby vacated, and, commencing on the date hereof, shall be of no further force or effect.

8. Special Findings:

8.1. By order dated September 1, 1983, the Oil & Gas Conservation Commission adopted a Provisional Drilling Unit Order for Shallow Gas Wells in the Early Grove Field. On March 20, 1989, effective nunc pro tunc to August 10, 1988, the Oil and Gas Conservation Board adopted an Order Establishing Drilling Units for the Early Grove Field. Thereafter, upon application of Penn Virginia Resources, on March 16, 1989, effective nunc pro tunc to August 10, 1988, the Oil and Gas Conservation Board entered the Pooling Order pooling the gas and oil interests within Subject Drilling Unit, which Pooling Order is recorded in the Office of the Circuit Court Clerk for Scott County, Virginia, in Oil & Gas Lease Book 13, Page 575.

8.2. On November 17, 1995, the State Corporation Commission, exercising the authority granted it by Va. Code Ann. § 56-265.1 et. seq., issued a Certificate of Public Convenience and Necessity No. GS-1 to Virginia Gas Storage Company, an affiliate of Virginia Gas Company, "authorizing it to construct and operate an underground storage facility, limited to 1800 psig MAOP, together with related facilities in the Early Grove Field located within the southern portions of the U.S.G.S. Mendota and Wallace Quadrangles, in Scott and Washington Counties, Virginia, approximately nine miles north of the Virginia-Tennessee state line near the city of Bristol." Subject Drilling Unit is located within the underground storage facility certificated by the State Corporation Commission.

8.3. By virtue of its voluntary agreements, Virginia Gas Company, claims control over 100% of the oil and gas estate and 100% of the gas storage rights underlying Subject Drilling Unit.

8.4. By virtue of voluntary agreements, Virginia Gas Company claims the right to explore for, develop, produce, and store the oil and gas underlying 100% of the lands within Subject Drilling Unit.

8.5 The relief requested and granted is just and reasonable, is supported by Va. Code § 45.1-361.18 which validates and encourages the formation of drilling units by voluntary agreements between the owners of gas and oil interests in two or more separately owned tracts embraced within a single drilling unit or when there are separately owned interests in all or a part of any such drilling unit.

9. Mailing of Order and Filing of Affidavit: Applicant or its Attorney shall file an affidavit with the Secretary of the Board within sixty (60) 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 whose gas and oil interests were pooled under the Pooling Order which is hereby vacated.

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

11. Appeals: Appeals of this Order are governed by the provisions of Va. Code Ann § 45.1-361.9 which provides that any order or decision of the Board may be appealed to the appropriate circuit court. Such appeals must be taken in the manner prescribed in the Administrative Process Act, Va. Code Ann. 9-6.14:1 et seq.

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

DONE AND EXECUTED this 1st day of May, 1996 by a majority of the Virginia Gas and Oil Board.

Benny Wampler
Chairman, Benny R. Wampler

DONE AND PERFORMED this 1st day of May, 1996, 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 WISE)

Acknowledged on this 1st day of May, 1996, 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 7/31/98

STATE OF VIRGINIA)
COUNTY OF WASHINGTON)

Acknowledged on this 1st day of May,
1996, 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 7/31/97

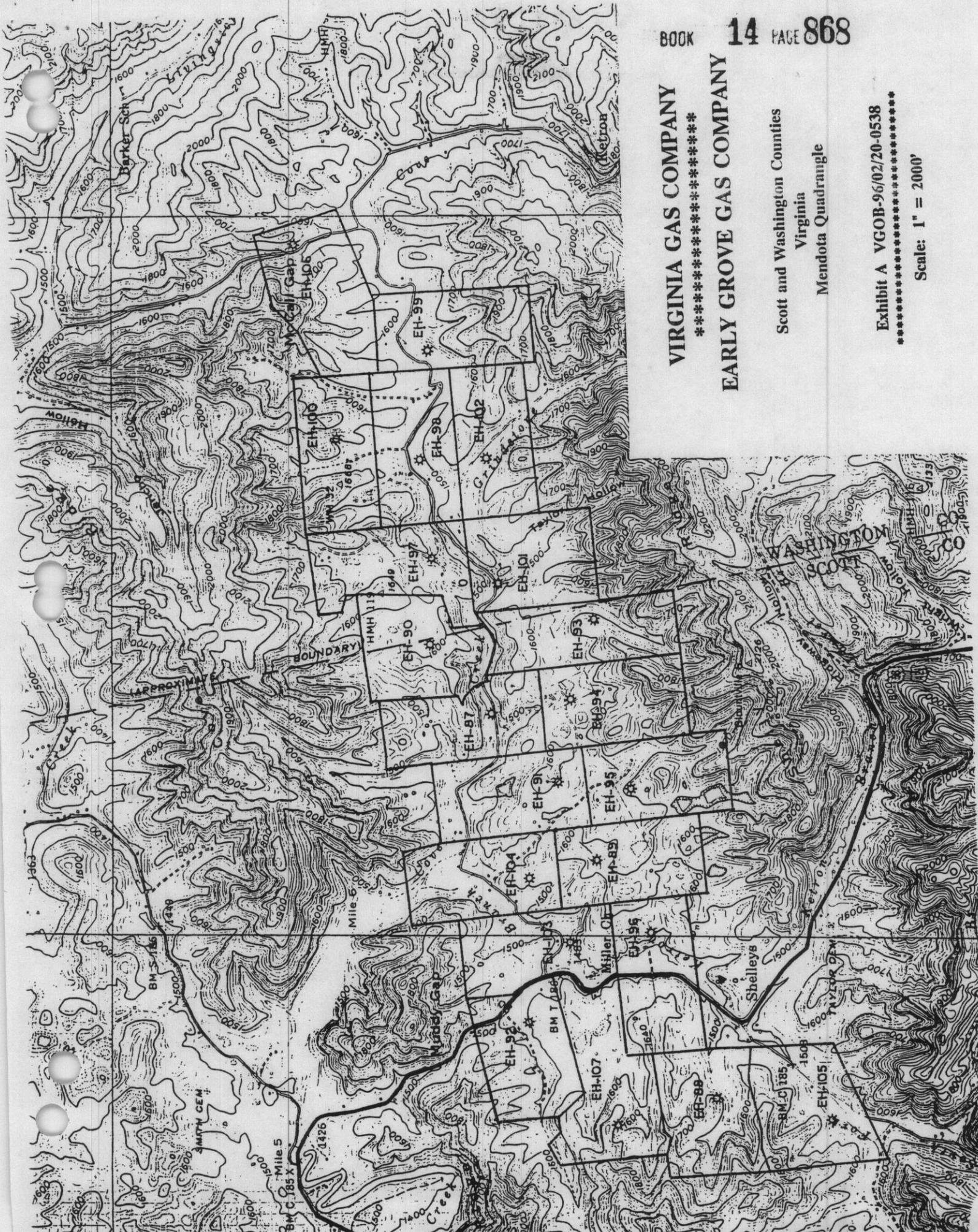
VIRGINIA GAS COMPANY

EARLY GROVE GAS COMPANY

Scott and Washington Counties
Virginia
Mendota Quadrangle

Exhibit A VGOB-96/02/20-0538

Scale: 1" = 2000'



- 1) Donald E. Bonkosky, Route 1, Box 1196, Delano, CA 93215;
- 2) Woodrow Barker, 2614 Baywest Drive, Nassau Bay, TX 77058; 3) Gale Miller Heirs, Route 3, Bristol, VA 24201; 4) Nile Miller Heirs, Route 3, Bristol, VA 24201; 5) Oscar Johnson Heirs, Route 3, Bristol, VA 24201;
- 6) Elise Johnson Heirs, Route 3, Bristol, VA 24201; 7) May Johnson Heirs, Route 3, Bristol, VA 24201; 8) R. M. Ketna, Virginia Department of Transportation, 1401 East Broad Street, Richmond, VA 23219;

and that the following named persons are owners of oil and gas leasehold interests in the drilling unit involved herein who have not voluntarily agreed to pool their interest in this unit for its development and operation;

INSTRUMENT #961085-00
RECORDED IN THE CLERK'S OFFICE OF
SCOTT COUNTY ON
MAY 9, 1996 AT 01:36PM
HARRY G. PENLEY, CLERK

BY: Bernice Staines DEPUTY CLERK

VIRGINIA:

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APPLICANT: VIRGINIA GAS COMPANY) VIRGINIA GAS AND
A Delaware Corporation) OIL BOARD

RELIEF SOUGHT: VACATION OF ORDER ENTERED BY THE) DOCKET NO.
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3. Jurisdiction and Notice: Pursuant to Va. Code Ann. § 45.1-361.1 et. seq., 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 and oil owner, coal owner, or mineral owner in the Subject Drilling Unit; (2) has given notice to those parties so identified (hereafter sometimes "person(s)" whether referring to individuals, corporations, partnerships, associations, companies, businesses, trusts, joint ventures or other legal entities) entitled by Va. Code Ann. §§ 45.1-361.19 and 45.1-361.21, to notice of this application; and (3) that, by virtue of voluntary agreements, Applicant claims control of 100% of the gas and oil interests within the Subject Drilling Unit. Further, the Board has caused notice of this hearing to be published as required by Va. Code Ann. §

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4. Amendments: None

5. Dismissals: Southern Gas Services, Inc., who objected to Applicant's application: (a) presented no evidence that it owned any interest in the Early Grove Field; (b) presented no evidence that it was an oil, gas, coal, or mineral owner within the Early Grove Field as defined by Va. Code Ann. § 45.1-361.1; presented no evidence showing that it was entitled to receive notice of Applicant's application; and, therefore, did not have standing to object or be heard; and was dismissed by the Board.

6. Relief Requested: Applicant requests that pursuant to Va. Code Ann. §§ 45.1-361.18 and 45.1-361.21, the Board vacate the Pooling Order for Subject Drilling Unit entered on March 16, 1989, effective as of August 10, 1988 of record in the Office of the Circuit Court Clerk for Scott County, Virginia, in Oil & Gas Lease Book 13, Page 575.

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8. Special Findings:

- 8.1. By order dated September 1, 1983, the Oil & Gas Conservation Commission adopted a Provisional Drilling Unit Order for Shallow Gas Wells in the Early Grove Field. On March 20, 1989, effective nunc pro tunc to August 10, 1988, the Oil and Gas Conservation Board adopted an Order Establishing Drilling Units for the Early Grove Field. Thereafter, upon application of Penn Virginia Resources, on March 16, 1989, effective nunc pro tunc to August 10, 1988, the Oil and Gas Conservation Board entered the Pooling Order pooling the gas and oil interests within Subject Drilling Unit, which Pooling Order is recorded in the Office of the Circuit Court Clerk for Scott County, Virginia, in Oil & Gas Lease Book 13, Page 575.
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- 8.3. By virtue of its voluntary agreements, Virginia Gas Company, claims control over 100% of the oil and gas estate and 100% of the gas storage rights underlying Subject Drilling Unit.
- 8.4. By virtue of voluntary agreements, Virginia Gas Company claims the right to explore for, develop, produce, and store the oil and gas underlying 100% of the lands within Subject Drilling Unit.

8.5 The relief requested and granted is just and reasonable, is supported by Va. Code § 45.1-361.18 which validates and encourages the formation of drilling units by voluntary agreements between the owners of gas and oil interests in two or more separately owned tracts embraced within a single drilling unit or when there are separately owned interests in all or a part of any such drilling unit.

9. Mailing of Order and Filing of Affidavit: Applicant or its Attorney shall file an affidavit with the Secretary of the Board within sixty (60) 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 whose gas and oil interests were pooled under the Pooling Order which is hereby vacated.

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

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Benny R. Wampler
Chairman, Benny R. Wampler

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

STATE OF VIRGINIA)
COUNTY OF WISE)

Acknowledged on this 1st day of May, 1996, 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 7/31/98

STATE OF VIRGINIA)
COUNTY OF WASHINGTON)

Acknowledged on this 15th day of May,
1996, 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 7/31/97

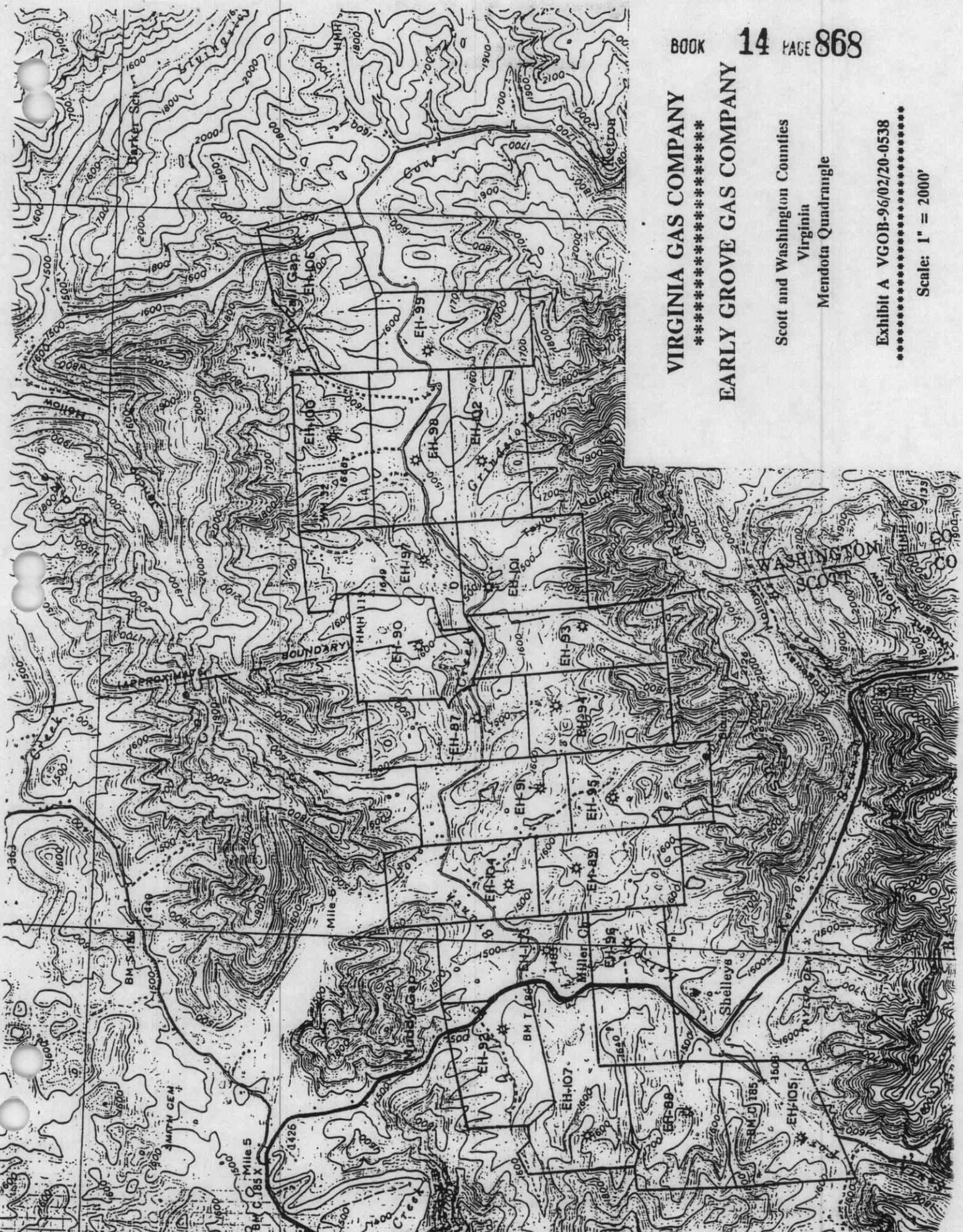
VIRGINIA GAS COMPANY

EARLY GROVE GAS COMPANY

Scott and Washington Counties
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and that the following named persons are owners of oil and gas leasehold interests in the drilling unit involved herein who have not voluntarily agreed to pool their interest in this unit for its development and operation;

INSTRUMENT #961085-00
RECORDED IN THE CLERK'S OFFICE OF
SCOTT COUNTY ON

MAY 9, 1996 AT 01:36PM
HARRY G. BENLEY, CLERK

BY: Bernice Starnes DEPUTY CLERK

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: VIRGINIA GAS COMPANY,) VIRGINIA GAS AND
a Delaware Corporation) OIL BOARD
)
RELIEF SOUGHT: VACATION OF PROVISIONAL) DOCKET NO.
DRILLING UNIT ORDER FOR) 96-0220-0538
SHALLOW GAS WELLS IN THE)
EARLY GROVE GAS FIELD OF)
SCOTT AND WASHINGTON)
COUNTIES IN VIRGINIA, DATED)
SEPTEMBER 1, 1983 (herein-)
"PROVISIONAL ORDER") AND VACATION OF)
THE EARLY GROVE GAS AND OIL FIELD)
OF SCOTT AND WASHINGTON COUNTIES,)
VIRGINIA (herein "Early Grove Field"))
ORDER ENTERED ON MARCH 20, 1989,)
EFFECTIVE AS OF AUGUST 10,)
1988 (herein "EARLY GROVE)
FIELD RULES"))
)
LEGAL DESCRIPTION:)
)
WASHINGTON AND SCOTT)
COUNTIES, VIRGINIA (See)
description herein and Plat)
Attached hereto as Exhibit "A")
herein referred to as "Subject)
Lands"))
)

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 February 20, 1996, Dickenson Conference Room, Southwest Virginia 4-H Center, Abingdon, Virginia.
2. Appearances: Elizabeth A. McClanahan of Penn, Stuart, Eskridge & Jones appeared for the Applicant; James E. Kaiser of Hunter, Smith & Davis appeared in behalf of Southern Gas Services, Inc.; 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., the Board finds that it has jurisdiction over the subject matter. Based upon the evidence presented by Applicant, the Board also finds that by virtue of its voluntary agreements, Applicant claims control of 100% of the oil and gas interests underlying Subject Lands, and Applicant has (1) exercised due diligence in conducting a meaningful search of reasonably available sources to determine the identity and whereabouts of each owner of gas and oil, coal, or mineral interests underlying Subject Lands, and (2) has given notice to those parties so identified (hereafter sometimes "person(s)" whether referring to individuals, corporations, partnerships, associations, companies, businesses, trusts, joint ventures or other legal entities) entitled by Va. Code Ann. §§ 45.1-361.19 and 45.1-361.20, 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. 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: Southern Gas Services, Inc., who objected to Applicant's application: (a) presented no evidence that it owned any interest in the Early Grove Field; (b) presented no evidence that it was an oil, gas, coal, or mineral owner within the Early Grove Field as defined by Va. Code Ann. § 45.1-361.1; presented no evidence showing that it was entitled to receive notice of Applicant's application; and, therefore, did not have standing to object or be heard; and was dismissed by the Board.

6. Relief Requested: Applicant requests that pursuant to Va. Code Ann. § 45.1-361.18 and 45.1-361.20, the Board vacate the Provisional Order and the Early Grove Field Rules.

7. Relief Granted: The requested relief in this cause be and hereby is granted and the Provisional Order and the Early Grove Field Rules are hereby vacated, and, commencing on the date hereof, shall be of no further force or effect.

8. Special Findings:

8.1. By order dated September 1, 1983, the Oil & Gas Conservation Commission adopted a Provisional Drilling Unit Order for Shallow Gas Wells in the Early Grove Gas Field of Scott and Washington Counties in Virginia (herein "Provisional Order"). On March 20, 1989, effective nunc pro tunc to August 10, 1988, the Oil and Gas Conservation Board adopted the Early Grove Field Rules. The Early Grove Field Rules established permanent field rules for the Early Grove Field for the purpose of "appropriate[ing] the oil and gas produced therefrom." The Early Grove Field Rules further provided that:

The Price and Little Valley formations underlying lands in Scott and Washington Counties, Virginia were a common accumulation of oil and gas, being predominately gas productive, separate and distinct from and not in communication with any other common accumulation of oil and gas.

8.2. On April 16, 1993, the Board entered a Temporary Order for the testing of the Price and Little Valley Formations lying within Subject Lands for their suitability as a gas storage reservoir, Docket No. VGOB 92-0721-0233 (herein "Temporary Order"). The Temporary was modified by (1) Board Order entered November 2, 1993, Docket No. VGOB-93-0817-0397, (2) Board Order entered January 28, 1994, Docket No. VGOB 93-0921-0404, (3) Board Order entered January 28, 1994, Docket No. VGOB 93-0921-0410, and (4) Board Order entered on November 1, 1994, Docket No. VGOB 94-0621-0449 (herein the "Temporary Order" together with the aforementioned modifications, are collectively referred to as the "Gas Storage Testing Orders"). On even date herewith the Board has entered an order vacating the Gas Storage Testing Orders.

8.3. At the time of entry of the Gas Storage Testing Orders, twenty-one (21) drilling units had been formed under the Provisional Order and/or Early Grove Field Rules, which drilling units comprise Subject Lands and are more particularly depicted on the Plat attached hereto as Exhibit A, and are bounded as follows:

BEGINNING at a point, Virginia (South Rectangular) State Plane Coordinates System, N 131,142.50 E 871,774.69; thence N 04-58-08 W 1,929.46 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 N 05-19-21 W 1,826.52 feet to a point (N 136,573.45 E 871,772.03); thence N 64-18-47 E 362.94 feet to a point (N 136,730.76 E 872,099.10); thence S 49-24-59 E 322.66 feet to a point (N 136,520.86 E 872,344.15); thence N 84-28-10 E 227.79 feet to a point (N 136,542.81 E 872,570.87); thence N 04-01-31 W 1,107.96 feet to a point (N 137,648.04 E 872,493.10); thence N 76-55-46 E 2,250.18 feet to a point (N 138,156.91 E 874,684.98); thence N 85-24-08 E 1,320.00 feet to a point (N 138,262.73 E 876,000.73); thence N 04-35-52 W 616.55 feet to a point (N 138,877.30 E 875,951.31); thence N 85-24-08 E 1,319.90 feet to a point (N 138,983.10 E 877,266.96); thence S 04-35-07 E 453.74 feet to a point (N 138,530.82 E 877,303.33); thence N 85-24-08 E 1321.03 feet to a point (N 138,636.72 E 878,620.11); thence N 03-40-52 W 773.87 feet to a point (N 139,408.99 E 878,570.43); thence N 86-19-08 E 999.03 feet to a point (N 139,473.14 E 879,567.40); thence N 02-52-52 W 91.49 feet to a point (N 139,564.52 E 879,652.80); thence N 85-24-08 E 1,914.99 feet to a point (N 139,718.03 E 881,471.62); thence N 09-33-06 W 255.72 feet to a point (N 139,970.20 E 881,429.19); thence N 71-12-52 W 271.01 feet to a point (N 140,057.47 E 881,172.61); thence N 04-35-52 W 312.83 feet to a point (N 140,369.29 E 881,147.54); thence N 85-30-15 E 3,965.13 feet to a point (N 140,680.11 E 885,100.47); thence S 04-35-52 E 494.84 feet to a point (N 140,186.55 E 885,140.14); thence N 69-17-49 E 1,039.65 feet to a point (N 140,554.39 E 886,112.65); thence N 54-54-46 E 576.12 feet to a point (N 140,885.56 E 886,584.07); thence N 79-22-19 E 344.63 feet to a point (N 140,949.12 E 886,922.79); thence N 75-40-20 E 922.10 feet to a point (N 141,177.31 E 887,816.21); thence S 14-46-16 E 1,447.24 feet to a point (N 139,777.90 E 888,185.19); thence S 72-41-38 W 1,724.72 feet to a point (N 139,264.83 E 886,538.55); thence S 04-35-52 E 2,640.00 feet to a point (N 136,633.33 E 886,750.18); thence S 85-24-08 W 1,320.00 feet to a point (N 136,527.51 E 885,434.42); thence N 04-35-52 W 221.79 feet to a point (N 136,739.89 E 885,417.34); thence S 85-12-47 W 2,645.13 feet to a point (N 136,527.85 E 882,780.73); thence S 04-35-52 E 840.04 feet to a point (N 135,690.51 E 882,848.07); thence S 85-24-08 W 1,593.53 feet to a point (N 135,562.77 E 881,259.67); thence S 04-35-52 E 1,244.96 feet to a point (N 134,321.82 E 881,359.47); thence S 85-24-08 W 1,046.47 feet to a point (N 134,237.93 E 880,316.37); thence S 85-24-08 W 1,315.35 feet to a point (N 134,132.19 E 879,005.25); thence S 04-35-52 E 696.15 feet to a point (N 133,438.58 E 879,061.05); thence S 85-24-08 W 1,343.76 feet to a point (N 133,330.86 E 877,721.62); thence N 04-35-52 W 800.41 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 04-35-52 W 291.04 feet to a point (N 134,312.98 E 876,318.37); thence S 85-24-08 W 2,656.15 feet to a point (N 134,100.06 E 873,670.77); thence S 02-46-50 E 754.10 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 883,761.85); 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 the beginning, containing approximately 1,682.08 acres, more or less.

- 8.4. Pursuant to the terms of the Gas Storage Testing Orders, Virginia Gas Company commenced the testing of the Price formation lying within a portion of the Subject Lands in 1992 to determine its suitability as a storage reservoir. In 1993, Virginia Gas Company commenced the testing of the Price and Little Valley formations

within the Subject Lands to determine their suitability as a storage reservoir and continued said testing until 1995 when the SCC issued Certificate of Public Convenience and Necessity No. GS-1 to Virginia Gas Storage Company, an affiliate of Virginia Gas Company.

- 8.5. On November 17, 1995, the State Corporation Commission, exercising the authority granted to it by Va. Code Ann. § 56-265.1 et. seq., issued a Certificate of Public Convenience and Necessity No. GS-1 to Virginia Gas Storage Company, an affiliate of Virginia Gas Company, "authorizing it to construct and operate an underground storage facility, limited to 1800 psig MAOP, together with related facilities in the Early Grove Field located within the southern portions of the U.S.G.S. Mendota and Wallace Quadrangles, in Scott and Washington Counties, Virginia, approximately nine miles north of the Virginia-Tennessee state line near the city of Bristol."
- 8.6. By virtue of its voluntary agreements, Virginia Gas Company, claims control over 100% of the oil and gas estate and 100% of the gas storage rights underlying Subject Lands.
- 8.7. The Price and Little Valley formations underlying Subject Lands are a common accumulation of Gas, separate and distinct from and not in communication with any other common accumulation of Gas and, through testing by the Applicant and certification by the State Corporation Commission, said formations underlying Subject Lands have been deemed suitable for use as a gas storage reservoir; therefore, upon vacation of the Early Grove Field Rules, wells drilled upon Subject Lands in search of oil or gas, if any, shall not be located closer than 2,640 feet to any other well completed in said pool. (See Va. Code Ann. § 45.1-361.17.2).
- 8.8. Southern Gas Services, Inc., does not claim to have an interest in the oil and gas estate underlying Subject Lands, but claims to have an interest in the oil and gas estate lying outside the boundary of Subject Lands.
- 8.9. The relief requested and granted is just and reasonable.
9. Mailing of Order and Filing of Affidavit: Applicant or its Attorney shall file an affidavit with the Secretary of the Board within sixty (60) 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 who was a party to these proceedings, as well as a copy to Southern Gas Services.
10. Conclusion: Therefore, the requested relief and all terms and provisions set forth above be and hereby are granted and IT IS SO ORDERED.
11. Appeals: Appeals of this Order are governed by the provisions of Va. Code Ann. § 45.1-361.9 which provides that any order or decision of the Board may be appealed to the appropriate circuit court. Such appeals must be taken in the manner prescribed in the Administrative Process Act, Va. Code Ann. § 9-6.114:1 et. seq.
12. Effective Date: This Order shall be effective on the date of its execution.

DONE AND EXECUTED this 1st day of May,
1996 by a majority of the Virginia Gas and Oil Board.

Benny R. Wampler
Chairman, Benny R. Wampler

DONE AND PERFORMED this 1st day of May,
1996, 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 1st day of May,
1996, 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

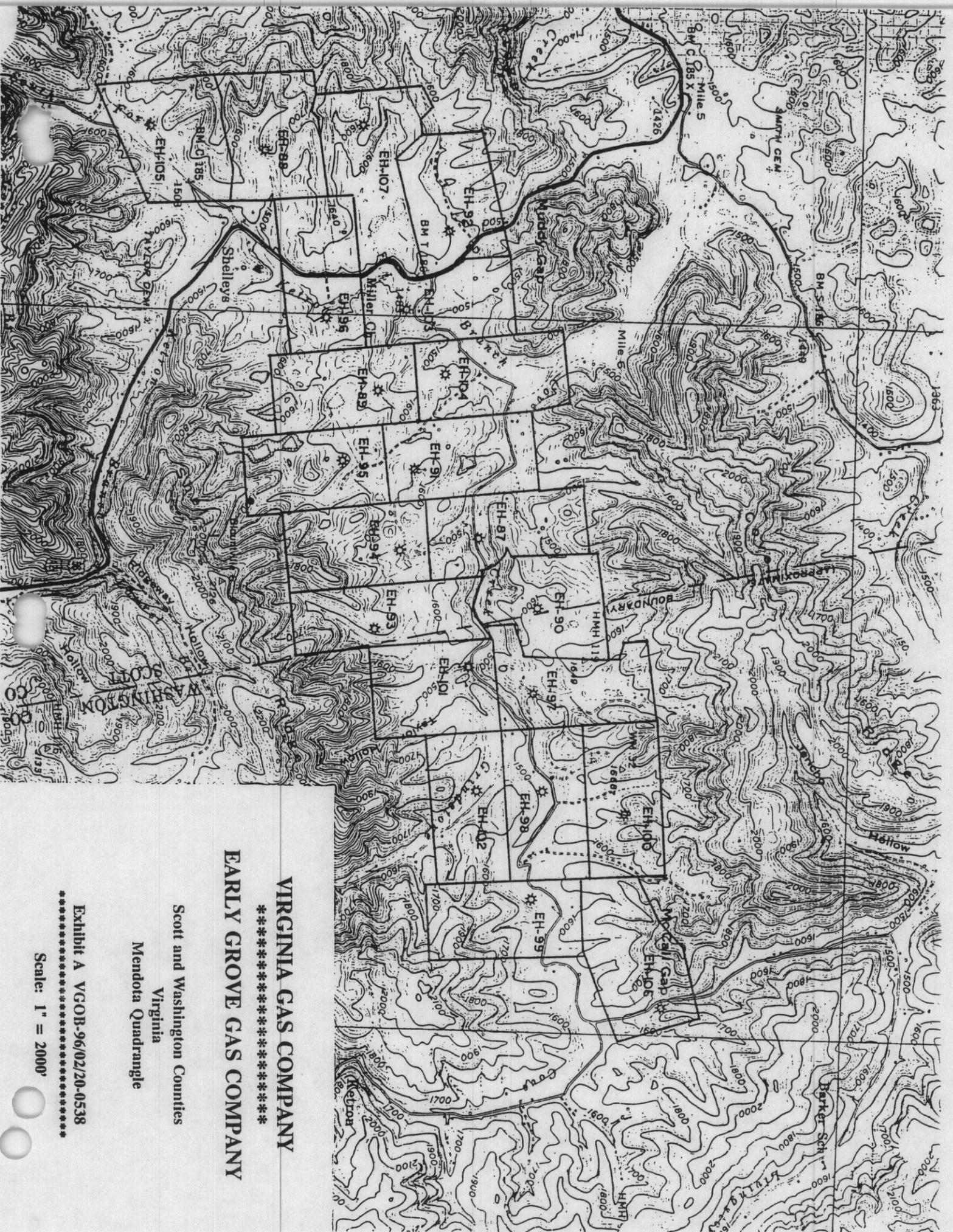
My commission expires 7/31/98

STATE OF VIRGINIA)
COUNTY OF WASHINGTON)

Acknowledged on this 1st day of May,
1996, 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 7/31/97



VIRGINIA GAS COMPANY

EARLY GROVE GAS COMPANY

Scott and Washington Counties
Virginia
Mendota Quadrangle

Exhibit A VGOB-96/02/20-0538

Scale: 1" = 2000'

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: VIRGINIA GAS COMPANY,) VIRGINIA GAS AND
a Delaware Corporation) OIL BOARD
)
RELIEF SOUGHT: VACATION OF THE TEMPORARY) DOCKET NO.
ORDERS FOR THE TESTING OF) 96-0220-0538
THE PRICE AND LITTLE VALLEY)
FORMATIONS AS A TEMPORARY GAS)
STORAGE RESERVOIR, TOGETHER)
WITH VACATION OF ORDERS)
MODIFYING SAID TEMPORARY)
TESTING IN THE EARLY GROVE)
GAS AND OIL FIELD OF SCOTT)
AND WASHINGTON COUNTIES,)
VIRGINIA (herein "Early)
Grove Field"))
)
LEGAL DESCRIPTION:)
WASHINGTON AND SCOTT)
COUNTIES, VIRGINIA (SEE)
DESCRIPTIONS HEREIN AND)
PLAT ATTACHED HERETO AS)
EXHIBIT "A", herein referred)
to as "Subject Lands")

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 February 20, 1996, Dickenson Conference Room, Southwest Virginia 4-H Center, Abingdon, Virginia.
2. Appearances: Elizabeth A. McClanahan of Penn, Stuart, Eskridge & Jones appeared for the Applicant; James E. Kaiser of Hunter, Smith & Davis appeared in behalf of Southern Gas Services, Inc.; 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., the Board finds that it has jurisdiction over the subject matter. Based upon the evidence presented by Applicant, the Board also finds that by virtue of voluntary agreements, Applicant claims control of 100% of the oil and gas interests within the Subject Lands and has (1) exercised due diligence in conducting a meaningful search of reasonably available sources to determine the identity and whereabouts of each gas and oil owner, coal owner, or mineral owner in the Subject Lands and (2) given notice to those parties so identified (hereafter sometimes "person(s)" whether referring to individuals, corporations, partnerships, associations, companies, businesses, trusts, joint ventures or other legal entities) entitled by Va. Code Ann. § 45.1-361.19 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. 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: Southern Services, Inc., who objected to Applicant's application: (a) presented no evidence that it owned any interest in the Early Grove Field; (b) presented no evidence that it was an oil, gas, coal, or mineral

owner within the Early Grove Field as defined by Va. Code Ann. § 45.1-361.1; presented no evidence showing that it was entitled to receive notice of Applicant's application; and, therefore, did not have standing to object or be heard; and was dismissed by the Board.

6. Relief Requested: Applicant requests that the Board vacate the following orders entered by the Board for the testing of the Price and Little Valley Formations lying within Subject Lands for their suitability as a gas storage reservoir (hereinafter such orders are collectively referred to as the "Gas Storage Testing Orders":

- a. Temporary Order approved by the Board at its hearing on July 21, 1992, and entered on April 16, 1993, Docket No. VGOB-92-0721-0233 (hereinafter the "Temporary Order"),
- b. Order modifying the Temporary Order approved by the Board at its hearing on August 17, 1993, and entered November 2, 1993, Docket No. VGOB-93-0817-0397,
- c. Order modifying the Temporary Order approved by the Board at its hearing on October 19, 1993 and entered on January 28, 1994, Docket No. VGOB 93-0921-0404,
- d. Order modifying the Temporary Order approved by the Board at its hearing on October 19, 1993, and entered on January 28, 1994, Docket No. VGOB 93-0921-0410, and
- e. Order modifying the Temporary Order, approved by the Board at its hearing on June 21, 1994, and entered on November 1, 1994, Docket No. VGOB 94-0621-0449.

7. Relief Granted: The requested relief in this cause be and hereby is granted and the Gas Storage Testing Orders are hereby vacated, and, commencing on the date hereof, said Gas Storage Testing Orders shall be of no further force or effect.

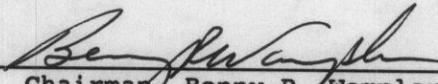
8. Special Findings:

- 8.1. By order dated September 1, 1983, the Oil & Gas Conservation Commission adopted a Provisional Drilling Unit Order for Shallow Gas Wells in the Early Grove Gas Field of Scott and Washington Counties in Virginia (herein "Provisional Order"). On March 20, 1989, effective nunc pro tunc to August 10, 1988, the Oil and Gas Conservation Board adopted an Order Establishing Drilling Units for the Early Grove Field (herein "Early Grove Field Rules"). The Early Grove Field Rules established permanent field rules for the Early Grove Gas and Oil Field (herein "Early Grove") for the purpose of "appropriate[ing] the oil and gas produced therefrom." The Early Grove Field Rules further provided that "the Price and Little Valley formations underlying lands in Scott and Washington Counties, Virginia are a common accumulation of oil and gas, being predominately gas productive, separate and distinct from and not in communication with any other common accumulation of oil and gas." On even date herewith, the Board has entered an Order vacating the Provisional Order and the Early Grove Field Rules.
- 8.2. At the time of entry of the Gas Storage Testing Orders, twenty-one (21) drilling units had been formed under the Provisional Order and/or the Early Grove Field Rules, which units are more particularly depicted on the Plat attached hereto as Exhibit A, and are bounded as follows:

BEGINNING at a point, Virginia (South Rectangular) State Plane Coordinates System, N 131,142.50 E 871,774.69; thence N 04-58-08 W 1,929.46 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 N 05-19-21 W 1,826.52 feet to a point (N 136,573.45 E 871,772.03); thence N 64-18-47 E 362.94 feet to a point (N 136,730.76 E 872,099.10); thence S 49-24-59 E 322.66 feet to a point (N 136,520.86 E 872,344.15); thence N 84-28-10 E 227.79 feet to a point (N 136,542.81 E 872,570.87); thence N 04-01-31 W 1,107.96 feet to a point (N 137,648.04 E 872,493.10); thence N 76-55-46 E 2,250.18 feet to a point (N 138,156.91 E 874,684.98); thence N 85-24-08 E 1,320.00 feet to a point (N 138,262.73 E 876,000.73); thence N 04-35-52 W 616.55 feet to a point (N 138,877.30 E 875,951.31); thence N 85-24-08 E 1,319.90 feet to a point (N 138,983.10 E 877,266.96); thence S 04-35-07 E 453.74 feet to a point (N 138,530.82 E 877,303.33); thence N 85-24-08 E 1321.03 feet to a point (N 138,636.72 E 878,620.11); thence N 03-40-52 W 773.87 feet to a point (N 139,408.99 E 878,570.43); thence N 86-19-08 E 999.03 feet to a point (N 139,473.14 E 879,567.40); thence N 02-52-52 W 91.49 feet to a point (N 139,564.52 E 879,652.80); thence N 85-24-08 E 1,914.99 feet to a point (N 139,718.03 E 881,471.62); thence N 09-33-06 W 255.72 feet to a point (N 139,970.20 E 881,429.19); thence N 71-12-52 W 271.01 feet to a point (N 140,057.47 E 881,172.61); thence N 04-35-52 W 312.83 feet to a point (N 140,369.29 E 881,147.54); thence N 85-30-15 E 3,965.13 feet to a point (N 140,680.11 E 885,100.47); thence S 04-35-52 E 494.84 feet to a point (N 140,186.55 E 885,140.14); thence N 69-17-49 E 1,039.65 feet to a point (N 140,554.39 E 886,112.65); thence N 54-54-46 E 576.12 feet to a point (N 140,885.56 E 886,584.07); thence N 79-22-19 E 344.63 feet to a point (N 140,949.12 E 886,922.79); thence N 75-40-20 E 922.10 feet to a point (N 141,177.31 E 887,816.21); thence S 14-46-16 E 1,447.24 feet to a point (N 139,777.90 E 888,185.19); thence S 72-41-38 W 1,724.72 feet to a point (N 139,264.83 E 886,538.55); thence S 04-35-52 E 2,640.00 feet to a point (N 136,633.33 E 886,750.18); thence S 85-24-08 W 1,320.00 feet to a point (N 136,527.51 E 885,434.42); thence N 04-35-52 W 221.79 feet to a point (N 136,739.89 E 885,417.34); thence S 85-12-47 W 2,645.13 feet to a point (N 136,527.85 E 882,780.73); thence S 04-35-52 E 840.04 feet to a point (N 135,690.51 E 882,848.07); thence S 85-24-08 W 1,593.53 feet to a point (N 135,562.77 E 881,259.67); thence S 04-35-52 E 1,244.96 feet to a point (N 134,321.82 E 881,359.47); thence S 85-24-08 W 1,046.47 feet to a point (N 134,237.93 E 880,316.37); thence S 85-24-08 W 1,315.35 feet to a point (N 134,132.19 E 879,005.25); thence S 04-35-52 E 696.15 feet to a point (N 133,438.58 E 879,061.05); thence S 85-24-08 W 1,343.76 feet to a point (N 133,330.86 E 877,721.62); thence N 04-35-52 W 800.41 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 04-35-52 W 291.04 feet to a point (N 134,312.98 E 876,318.37); thence S 85-24-08 W 2,656.15 feet to a point (N 134,100.06 E 873,670.77); thence S 02-46-50 E 754.10 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 883,761.85); 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 the beginning, containing approximately 1,682.08 acres, more or less.

- 8.3 Pursuant to the terms of the Gas Storage Testing Orders, Virginia Gas Company commenced the testing of the Price formation lying within a portion of the Subject Lands in 1992 to determine its suitability as a storage reservoir. In 1993, Virginia Gas Company commenced the testing of the Price and Little Valley formations within the Subject Lands to determine their suitability as a storage reservoir and continued said testing until 1995 when the SCC issued Certificate of Public Convenience and Necessity No. GS-1 to Virginia Gas Storage Company, an affiliate of Virginia Gas Company.
- 8.4. On November 17, 1995, the State Corporation Commission, exercising the authority granted it by Va. Code Ann. § 56-265.1 et. seq., issued a Certificate of Public Convenience and Necessity No. GS-1 to Virginia Gas Storage Company, an affiliate of Virginia Gas Company, "authorizing it to construct and operate an underground storage facility, limited to 1800 psig MAOP, together with related facilities in the Early Grove Gas and Oil Field located within with southern portions of the U.S.G.S. Mendota and Wallace Quadrangles, in Scott and Washington Counties, Virginia, approximately nine miles north of the Virginia-Tennessee state line near the City of Bristol."
- 8.5. By virtue of its voluntary agreements, Virginia Gas Company, claims control over 100% of the oil and gas estate and 100% of the gas storage rights underlying Subject Lands.
- 8.6. Southern Gas Services, Inc. does not claim to have an interest in the oil and gas estate underlying Subject Lands, but claims to have an interest in the oil and gas estate lying outside of the boundary of Subject Lands.
- 8.7. The relief requested and granted is just and reasonable.
9. Mailing of Order and Filing of Affidavit: Applicant or its Attorney shall file an affidavit with the Secretary of the Board within sixty (60) 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 who was a party to these proceedings, as well as a copy to Southern Gas Services.
10. Conclusion: Therefore, the requested relief and all terms and provisions set forth above be and hereby are granted and IT IS SO ORDERED.
11. Appeals: Appeals of this Order are governed by the provisions of Va. Code Ann. § 45.1-361.9 which provides that any order or decision of the Board may be appealed to the appropriate circuit court. Such appeals must be taken in the manner prescribed in the Administrative Process Act, Va. Code Ann. 9-6.14:1 et. seq.
12. Effective Date: This Order shall be effective on the date of its execution.

DONE AND EXECUTED this 1st day of May, 1996 by a majority of the Virginia Gas and Oil Board.


Chairman Benny R. Wampler

DONE AND PERFORMED this 1st day of May,
1996, 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 WISE)

Acknowledged on this 1st day of May,
1996, 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 7/31/98

STATE OF VIRGINIA)
COUNTY OF WASHINGTON)

Acknowledged on this 1st day of May,
1996, 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
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Diane J. Davis
Diane J. Davis
Notary Public

My commission expires 7/31/97