

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: POCAHONTAS GAS PARTNERSHIP, a Virginia	)	VIRGINIA GAS
General Partnership	)	AND OIL BOARD
	)	
RELIEF SOUGHT: POOLING OF INTERESTS IN	)	DOCKET NO.
DRILLING UNIT NO. Z-38	)	98-0324-0634
LOCATED IN THE OAKWOOD COALBED	)	
METHANE GAS FIELD I PURSUANT TO	)	
VA. CODE ANN. § 45.1-361.22, FOR	)	
THE PRODUCTION OF OCCLUDED NATURAL	)	
GAS PRODUCED FROM COALBEDS AND	)	
ROCK STRATA ASSOCIATED THEREWITH	)	
FROM FRAC WELL, AND ANY ADDITIONAL	)	
WELLS THAT MAY BE AUTHORIZED	)	
PURSUANT TO VA. CODE ANN.	)	
§ 45.1-361.20 (herein collectively	)	
referred to as "Coalbed Methane	)	
Gas" or "Gas")	)	
	)	
LEGAL DESCRIPTION:	)	
	)	
DRILLING UNIT NUMBER Z-38	)	
(hereafter "Subject Drilling Unit")	)	
IN THE OAKWOOD COALBED METHANE GAS FIELD I	)	
GARDEN MAGISTERIAL DISTRICT,	)	
KEEN MOUNTAIN 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 March 24, 1998, Ratliff Hall, Southwest Virginia Education 4-H Center, Abingdon, Virginia.

2. Appearances: Mark Swartz, Esquire, appeared for the Applicant; and Sandra 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 search of the reasonably available sources to determine the identity and whereabouts of gas

and oil owners, coal owners, mineral owners and/or potential owners, i.e., persons identified by Applicant as having ("Owner") or claiming ("Claimant") the rights to Coalbed Methane Gas in all coal seams below the Tiller Seam, including the Upper Seaboard, Greasy Creek, Middle Seaboard, Lower Seaboard, Upper Horsepen, Middle Horsepen, War Creek, Lower Horsepen, Pocahontas No. 9, Pocahontas No. 8, Pocahontas No. 7, Pocahontas No. 6, Pocahontas No. 5, Pocahontas No. 4, Pocahontas No. 3, Pocahontas No. 2 and various unnamed coal seams, coalbeds and rock strata associated therewith (hereafter "Subject Formation") in Subject Drilling Unit underlying and comprised of Subject Lands; (2) represented it has given notice to those parties (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 45.1-361.22, to notice of the Application filed herein; and (3) that the persons set forth in Exhibit B-3 hereto are persons identified by Applicant through its due diligence who may be Owners or 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 or sell to the Applicant and/or voluntarily pool their Gas interests. Conflicting Gas Owners/Claimants in Subject Drilling Unit are listed on Exhibit E. 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: None.

6. Relief Requested: Applicant requests (1) that pursuant to Va. Code Ann. § 45.1-361.22, including the applicable portions of Va. Code Ann. § 45.1-361.21, the Board pool all the rights, interests and estates in and to the Gas in Subject Drilling Unit, including the pooling of the interests of the Applicant and of the known and unknown persons named in Exhibit B-3 hereto and that of 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 or allocated to 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 Pocahontas Gas Partnership as Unit Operator.

7. Relief Granted: The requested relief in this cause be and hereby is granted: (1) Pursuant to Va. Code Ann. § 45.1-361.21.C.3, Pocahontas Gas Partnership (hereafter "Unit Operator" or "Operator") is designated as the Unit Operator authorized to drill and operate Coalbed Methane Gas well(s) in the Subject Drilling Unit subject to the permit provisions contained in Va. Code Ann. § 45.1-361.27 et seq.; to the Oakwood Coalbed Methane Gas Field I Order OGCB 3-90, dated May 18, 1990; to § 4 VAC 25-150 et seq., Gas and Oil Regulations; and to §§ 4 VAC 25-160 et seq., Virginia Gas and Oil Board Regulations, all as amended from time to time, and (2) all the interests and estates in and to the Gas in Subject Drilling Unit, including that of the

Applicant and of the known and unknown persons listed on Exhibit B-3, attached hereto and made a part hereof, 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.

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

Unit Number Z-38  
Buchanan County, Virginia

Pursuant to the Oakwood I Field Rules, the Board has adopted the following method for the calculation of production and revenue and allocation of allowable costs for the production of Coalbed Methane Gas.

For Frac Well Gas. - Gas shall be produced from and allocated to only the 80-acre drilling unit in which the well(s) is located according to the undivided interests of each Owner/Claimant within the unit, which undivided interest shall be the ratio (expressed as a percentage) that the amount of mineral acreage within each separate tract that is within the Subject Drilling Unit, when platted on the surface, bears to the total mineral acreage, when platted on the surface, contained within the entire 80-acre drilling unit in the manner set forth in the Oakwood I Field Rules.

8. Election and Election Period: In the event any Owner or Claimant named in Exhibit B-3 hereto does not reach a voluntary agreement to share in the operation of the well(s) to be located in the Subject Drilling Unit, at a rate of payment mutually agreed to by said Gas Owner or Claimant and the Unit Operator, then such person named 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 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 Owner or Claimant named in Exhibit B-3 who does not reach a voluntary agreement with the Operator 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 of the development contemplated by this Order for frac well gas and gas from any well that may be authorized pursuant to Va. Code § 45.1-361.20, including a reasonable

supervision fee, as more particularly set forth in Virginia Gas and Oil Board Regulation 4 VAC 25-160-100 (herein "Completed-for-Production Costs"). Further, a Participating Operator agrees to pay the estimate of such Participating Operator's proportionate part of the 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. Subject to the condition set forth in Paragraph 17.6 of this Order, the estimated Completed-for-Production Costs for the Subject Drilling Unit are:

\$261,788.52

A Participating Operator's proportionate cost hereunder shall be obtained by multiplying the Participating Operators' "Interest in Unit" times the estimated Completed-for-Production Cost set forth above. 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 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 Owner or Claimant named in Exhibit B-3 hereto who does not reach a voluntary agreement with the Unit Operator 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 Unit Operator for the sale of the Coalbed Methane Gas produced from any well development covered by this Order multiplied by that person's Division of Interest or proportional share of said production [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 Owner or Claimant. 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, subject to a final legal determination of ownership, said payment(s) shall be satisfaction

in full for the right, interests, and claims of such electing person in and to the Gas produced from Subject Formation in the Subject Lands, except, however, for the 1/8th royalties due hereunder.

Subject to a final legal determination of ownership, 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 Owner or Claimant named in Exhibit B-3 hereto who does not reach a voluntary agreement with the Operator 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 rights, 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 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.

Subject to a final legal determination of ownership, the election made under this Paragraph 9.3, when so made, shall be satisfaction in full for the rights, 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 its rights, 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-3 hereto does not reach a voluntary agreement with the Unit Operator and 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 for which his interest qualifies, 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 of ownership, 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 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 Unit Operator. 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 named in Exhibit B-3 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 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, interest, 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 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 named in Exhibit B-3 is unable to reach a voluntary agreement to share in the operation of the well(s) contemplated by this Order at a rate of payment agreed to mutually by said Owner or Claimant and the Operator, and such person elects or fails to elect to do other than participate under Paragraph 9.1 above in the development and operation of Subject Formations in Subject Drilling Unit, then subject to a final legal determination of ownership, such person shall be deemed to have and shall have assigned unto Unit Operator such person's right, interests, and claims in and to said well(s), 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): Pocahontas Gas Partnership be and hereby is designated as Unit Operator authorized to drill and operate the Coalbed Methane Wells in Subject Formation in Subject Drilling Unit, all subject to the permit provisions contained in Va. Code Ann. §§ 45.1-361.27 et seq.; §§ 4 VAC 25-150 et seq., Gas and Oil Regulations; §§ 4 VAC 25-160 et seq., Virginia Gas and Oil Board Regulations; the Oakwood Coalbed Gas Field I Order OGCB 3-90, 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:

Pocahontas Gas Partnership  
P. O. Box 947  
Bluefield, VA 24605  
Phone: (540) 988-1016  
Fax: (540) 988-1050  
Attn: Leslie K. Arrington

14. Commencement of Operations: Unit Operator shall commence or cause to commence operations for the drilling of the well(s) within the Subject Drilling Unit within seven hundred thirty (730) 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 then 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 all well(s) covered by this Order are 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 referred 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 Gas 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 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:

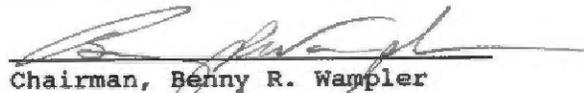
Premier Trust Company  
c/o First Virginia Bank-Mt. Empire  
P. O. Box 1038  
Abingdon, VA 24210  
Telephone: (540) 475-3112  
Fax: (540) 628-7633

- 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 Va. Code Ann. § 45.1-361.21.D, said sums shall be deposited by the Operator into the Escrow Account, commencing within one hundred twenty (120) 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 Va. Code Ann. § 45.1-361.21.D.
- 16.2 Escrow Provisions For Conflicting Claimants: If any payment of bonus, royalty payment, proceeds in excess of ongoing operational expenses or 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, proceeds in excess of ongoing operational expenses, 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 Unit Operator; and (2) shall, pursuant to Va. Code Ann. §§ 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 one hundred twenty (120) 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 composed of Consolidation Coal Company, a Delaware corporation, and CONOCO Inc., a Delaware corporation;
- 17.2. Pocahontas Gas Partnership is duly authorized to transact business in the Commonwealth of Virginia, is an operator in the Commonwealth of Virginia and has satisfied the Board's requirements for operations in Virginia;
- 17.3 Applicant claims ownership of gas leases, coalbed methane gas leases, and/or coal leases representing 100 percent of the coal interests and 71.65 percent of the oil and gas interest;
- 17.4 Applicant currently proposes the drilling of one (1) well to an approximate depth of 2,308 feet on the surface overlying Subject Drilling Unit to develop the pool of Gas in Subject Formations at the location more particularly shown on Exhibit A hereto.
- 17.5 The Virginia Department of Mines, Minerals and Energy has heretofore issued Permit Number 3525-01 for Well CBM-PGP-Z-38A.
- 17.6 Subject Drilling Unit is located over longwall panels proposed for the Buchanan No. 1 mine. To the extent any additional well(s) are required to accommodate said mine plans, the cost of any such additional well(s) permitted by the Division of Gas and Oil in accordance with the provisions of Va. Code § 45.1-361.20.C. will not be allocated to the Subject Drilling Unit by the Operator regarding Oakwood I frac gas production. Before the Division of Gas and Oil shall act on any application for an additional well within Subject Drilling Unit pursuant to Va. Code § 45.1-361.20, the Applicant must file with said Division and this Board: (1) a copy of the mine plan for that portion of the Buchanan No. 1 mine which will underlie Subject Drilling Unit; and (2) the projected time by which said mining will commence.
- 17.7 The estimated total production from Subject Drilling Unit is 125 to 500 MMCF. The estimated amount of reserves from the Subject Drilling Unit is 125 to 500 MMCF;
- 17.8 Conflicting Owners/Claimants are listed on Exhibit E. Set forth in Exhibit B-3 is the name and last known address of each person identified by the Applicant as an Owner or Claimant of Coalbed Methane Gas in Subject Formation in Subject Drilling Unit underlying and comprised of Subject Lands, who has not, in writing, leased to the Unit Operator or agreed to voluntarily pool his Gas interests in Subject Drilling Unit for its development. The interests of the Respondents listed in Exhibit B-3 comprise 28.35 percent of the oil and gas interests and 0 percent of the coal interests in Subject Drilling Unit;

- 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 relief requested and granted is just and reasonable, is supported by substantial evidence and will afford each person listed and named in Exhibit B-3 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: Applicant or its Attorney shall file an affidavit with the Secretary of the Board within sixty (60) days after the date of recording of this Order stating that a true and correct copy of said Order was mailed within seven (7) days from the date of its receipt to each Respondent pooled by this Order and whose address is known, and if any such party was represented by counsel at these proceedings that a correct copy of this Order was so mailed to all such counsel.
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. 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.
22. Effective Date: This Order shall be effective on the date of its execution.

DONE AND EXECUTED this 26<sup>th</sup> day of May, 1998, by a majority of the Virginia Gas and Oil Board.

  
Chairman, Benny R. Wampler

DONE AND PERFORMED this 1st day of June, 1998, by Order of this Board.

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

STATE OF VIRGINIA )  
COUNTY OF WISE )

Acknowledged on this 26th day of May, 1998, 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

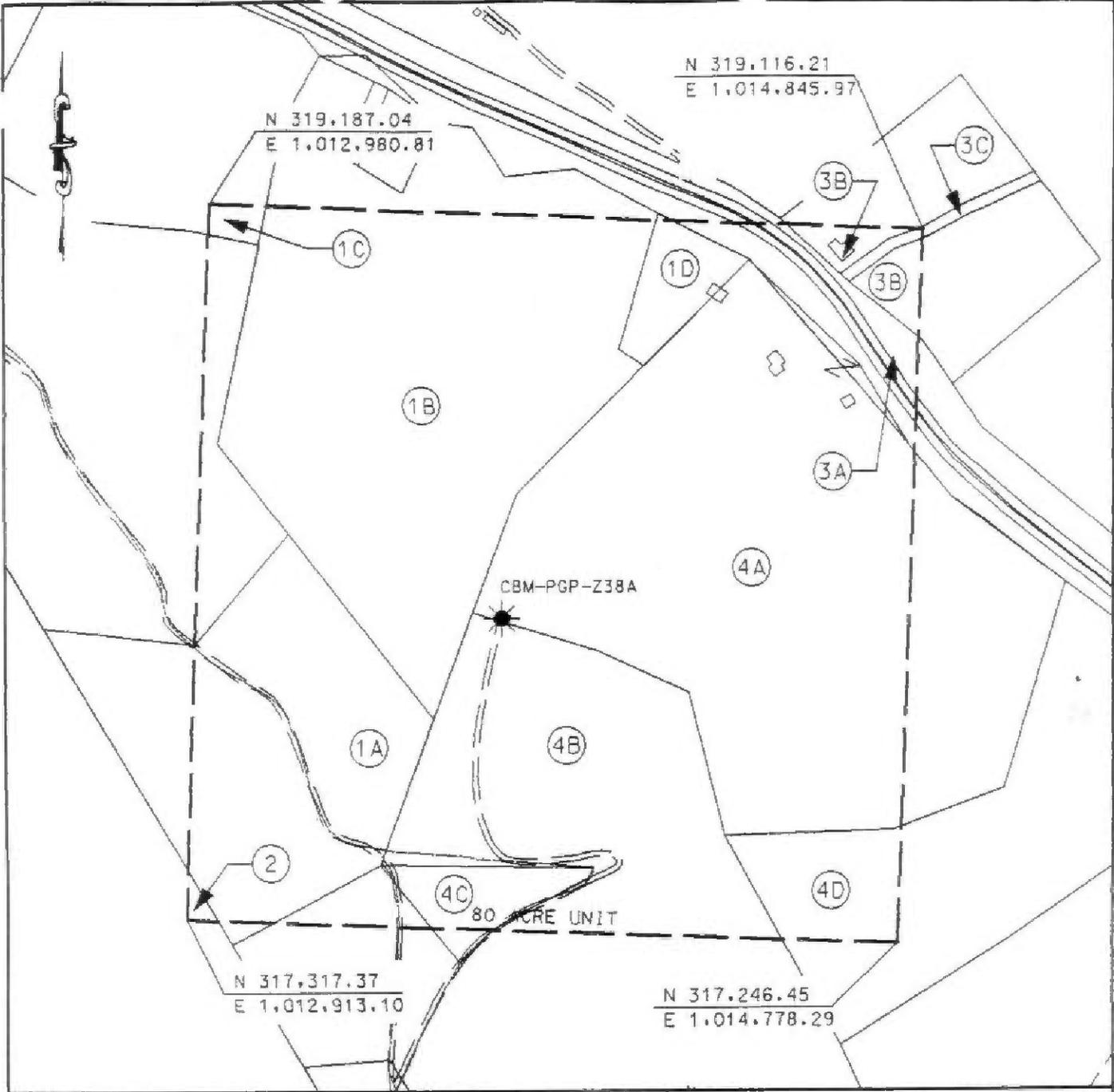
My commission expires July 31, 1998

STATE OF VIRGINIA )  
COUNTY OF WASHINGTON )

Acknowledged on this 1st day of June, 1998, 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 September 30, 2001



**LEGEND**

-  TRACT LAND HOOK
-  TRACT LAND ID'S

EXHIBIT A  
 OAKWOOD FIELD UNIT Z-38  
 FORCE POOLING  
 VGDB-98-0324-0634

Company Pocahontas Gas Partnership Well Name and Number UNIT Z38  
 Tract No. \_\_\_\_\_ Elevation \_\_\_\_\_ Quadrangle Keen-Mountain  
 County Buchanan District Garden Scale: 1" = 400' Date 2/4/98  
 This plat is a new plat X ; an updated plat \_\_\_\_\_ ; or a final plat \_\_\_\_\_

Form DGO-60-7 \_\_\_\_\_ (Affix Seal)  
 Rev. 9/91 Charles D. May  
 Licensed Professional Engineer or Licensed Land Surveyor

**POCAHONTAS GAS PARTNERSHIP  
UNIT Z-38  
Tract Identifications**

- 1. Commonwealth Coal Co. Tr 3 - Coal  
Consolidation Coal Co. - Below drainage coal Leased  
United Coal Company - Above drainage coal Leased  
Pocahontas Gas Partnership - CBM Lessee  
Betty Addison - Surface, Oil & Gas  
12.80 acres 16.0000%
  
- 1B. Commonwealth Coal Co. Tr 3 - Coal  
Consolidation Coal Co. - Below drainage coal Leased  
United Coal Company - Above drainage coal Leased  
Pocahontas Gas Partnership - CBM Lessee  
Curtis Wade - Surface, Oil & Gas  
20.98 acres 26.2250%
  
- 1C. Commonwealth Coal Co. Tr 3 - Coal  
Consolidation Coal Co. - Below drainage coal Leased  
United Coal Company - Above drainage coal Leased  
Pocahontas Gas Partnership - CBM Lessee  
Gerald Shortt - Surface, Oil & Gas  
0.28 acres 0.3500%
  
- 1D. Commonwealth Coal Co. Tr 3 - Coal  
Consolidation Coal Co. - Below drainage coal Leased  
United Coal Company - Above drainage coal Leased  
Pocahontas Gas Partnership - CBM Lessee  
Elmer Burke - Surface, Oil & Gas  
1.42 acres 1.7750%
  
- 2. Commonwealth Coal Co. Tr 2 - Fee  
Consolidation Coal Co. - Below drainage coal Leased  
United Coal Company - Above drainage coal Leased  
Consolidation Coal Co. - Oil & Gas Lessee  
Pocahontas Gas Partnership - CBM Lessee  
0.10 acres 0.1250%
  
- 3. Commonwealth Coal Co. Tr 4 - Coal, Oil & Gas  
Consolidation Coal Co. - Below drainage coal Leased  
United Coal Company - Above drainage coal Leased  
Consolidation Coal Co. - Oil & Gas Lessee  
Pocahontas Gas Partnership - CBM Lessee  
3.70 acres 4.6250%
  
- 3A. VDOT - Surface
- 3B. Peggy Lane - Surface
- 3C. Harold Altizer - Surface (30' R/W)

- 4. Commonwealth Coal Co. Tr 5 - Coal & Gas  
Consolidation Coal Co. - Below drainage coal Leased  
United Coal Company - Above drainage coal Leased  
Consolidation Coal Co. - Gas Lessee  
Pocahontas Gas Partnership - CBM Lessee  
40.72 acres                      50.9000\*
  
- 4A.            Mitchell Counts - Surface & Oil
- 4B.            Danny Clevinger et al. - Surface & Oil
- 4C.            Joe Deel - Surface & Oil
- 4D.            Joseph Turley - Surface & Oil

Exhibit B-3  
 Unit Z-38  
 Docket No. VGOB-88-0324-0634  
 List of Unleased Owners/Claimants

		Net Acres in Unit	Interest in Unit
<b>1. OIL &amp; GAS FEE OWNERSHIP</b>			
<b><u>TRACT #1B - 20.98 acres</u></b>			
(1)	Curtis Wade Rt. 1, Box 200 Raven, VA 24639	20.98 acres	26.22500%
<b><u>TRACT #1C - 0.28 acres</u></b>			
(1)	Gerald Shortt General Delivery Raven, VA 24639	0.28 acres	0.35000%
<b><u>TRACT #1D - 1.42 acres</u></b>			
(1)	Elmer Burke Rt. 1, Box 207 Raven, VA 24639	1.42 acres	1.77500%

Exhibit E  
 Unit Z-38  
 Docket No. VGOB-88-0324-0634  
 List of Conflicting Owners/Claimants that require escrow

	Net Acres in Unit	Interest in Unit
<b><u>TRACT #1 - 12.80 acres</u></b>		
<b><u>COAL FEE OWNERSHIP</u></b>		
(1) Commonwealth Coal Corp. Tr 3 P.O. Box 1269 Bristol, VA 24203	12.80 acres	16.00000%
<b><u>OIL &amp; GAS FEE OWNERSHIP</u></b>		
(1) Betty Addison 1305 Terrace Court Sykesville, MD 21784	12.80 acres	16.00000%
<b><u>TRACT #1B - 20.98 acres</u></b>		
<b><u>COAL FEE OWNERSHIP</u></b>		
(1) Commonwealth Coal Corp. Tr 3 P.O. Box 1269 Bristol, VA 24203	20.98 acres	26.22500%
<b><u>OIL &amp; GAS FEE OWNERSHIP</u></b>		
(1) Curtis Wade Rt. 1, Box 200 Raven, VA 24639	20.98 acres	26.22500%
<b><u>TRACT #1C - 0.28 acres</u></b>		
<b><u>COAL FEE OWNERSHIP</u></b>		
(1) Commonwealth Coal Corp. Tr 3 P.O. Box 1269 Bristol, VA 24203	0.28 acres	0.35000%
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(1) Gerald Shortt General Delivery Raven, VA 24639	0.28 acres	0.35000%
<b><u>TRACT #1D - 1.42 acres</u></b>		
<b><u>COAL FEE OWNERSHIP</u></b>		
(1) Commonwealth Coal Corp. Tr 3 P.O. Box 1269 Bristol, VA 24203	1.42 acres	1.77500%
<b><u>OIL &amp; GAS FEE OWNERSHIP</u></b>		
(1) Elmer Burke Rt. 1, Box 207 Raven, VA 24639	1.42 acres	1.77500%

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 5th day of June, 1998.  
 Deed Book No. 476 and Page No. 830 TESTE: James M. Bevins, Jr., Clerk  
 Returned this date to: Depty Mone TESTE: Shirley S. Sellers Deputy Clerk

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

IN RE:

SUPPLEMENTAL ORDER REGARDING  
DOCKET NUMBER VGOB-98-03/24-0634

ELECTIONS: UNIT Z-38  
(herein "Subject Drilling Unit")

REPORT OF BOARD

FINDINGS AND ORDER

This Supplemental Order is entered by the Board *sua sponte* in the form authorized by the Board at hearings held on February 15, 1994 and June 16, 1992; and this Supplemental Order is being recorded for the purpose of supplementing the Order previously identified in the captioned matter on May 26, 1998, which was recorded at Deed Book 476, Page 830 in the Office of the Clerk of the Circuit Court of Buchanan County, Virginia, on June 5, 1998, (herein "Board Order") and completing the record regarding elections.

Findings: The Board finds that:

The Board Order directed Pocahontas Gas Partnerships (herein "Designated Operator") to mail copies of the Board Order to all Respondents whose interests, if any, were pooled by the said Board Order.

The Designated Operator filed its affidavit of elections 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.

The Board Order required each Respondent whose interests, if any, were pooled by the terms of said Board Order to make an election within thirty (30) days after the date of mailing or recording, as applicable, of said Order; the affidavit of elections filed herein and annexed hereto as Exhibit A states: (I) whether each Respondent has made or failed to make a timely election; (ii) the nature of any election(s) made; and (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 Applicant.

That the affidavit of elections annexed hereto with the Exhibits submitted therewith identifies the Respondent(s) making a timely election, if any; identified the Respondent(s), if any, who are deemed to have leased; identifies the conflicting interests and claims which require escrow; identifies the interests and claims, if any,

requiring escrow under the Virginia Code Section 45.1-361.21.D; and identifies the Respondents, if any, who may be dismissed by reason of having leased or entered into a voluntary agreement with the Applicant.

The affidavit of elections indicates that the escrow of funds is required with regard to Unit Z-38.

**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 affidavit of elections with Exhibits thereto, any funds subject to escrow and instructs the Escrow Agent, First Virginia Bank-Mountain Empire, c/o Trust Department, P. O. Box 1038, Abingdon, Virginia 24212, 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 the affidavit of elections with Exhibits thereto, to receive funds and account to the Board therefor.

**Mailing of Order and Filing of Affidavit:**

The Designated Operator under the captioned Order 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 to each Respondent whose interests or claims are subject to escrow and whose address is known within seven (7) days from the date of receipt of this Order.

**Conclusion:**

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

**Effective Date:**

This Order shall be effective on the date of its execution.

DONE AND EXECUTED this 28<sup>th</sup> day of August, 1998, by a majority of the Virginia Gas and Oil Board.

  
Chairman, Benny R. Wampler

STATE OF VIRGINIA  
COUNTY OF WISE

Acknowledged on this 28<sup>th</sup> day of August, 1998, 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 he executed the same and was authorized to do so.

Susan G. Garrett  
Susan G. Garrett, Notary

My commission expires 7/31/2002

DONE AND PERFORMED this 2<sup>nd</sup> day of September, 1998 by Order of the Board.

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

STATE OF VIRGINIA  
COUNTY OF WASHINGTON

Acknowledged on this 2<sup>nd</sup> day of September, 1998, personally before me a notary public in and for the Commonwealth of Virginia, appeared Byron Thomas Fulmer, being duly sword did depose and say that he is Principal Executive to the Staff, Virginia Gas and Oil Board, that he executed the same and was authorized to do so.

Diane J. Davis  
Diane J. Davis, Notary

My commission expires 9/30/2001

VIRGINIA:

Exhibit A

BEFORE THE VIRGINIA GAS AND OIL BOARD

IN RE:

Application of Pocahontas Gas Partnership for Forced Pooling of Interests in CBM Unit Z-38 VGOB-98-03/24-0634 in the Garden District of Buchanan County, Virginia

AFFIDAVIT OF POCAHONTAS GAS PARTNERSHIP (herein "Designated Operator") REGARDING ELECTIONS, ESCROW AND SUPPLEMENTAL ORDER

Leslie K. Arrington, being first duly sworn on oath, deposes and says:

That your affiant is employed by CONSOL Inc., as a Permit Specialist and is duly authorized to make this affidavit on behalf of POCAHONTAS GAS PARTNERSHIP, the designated operator,

That the Order entered on May 26, 1998, by the Virginia Gas and Oil Board (hereinafter "Board") regarding the captioned CBM Unit required the Applicant to mail a true and correct copy of said Order to each person pooled by the Order;

That within seven (7) days of 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 proof of such mailing has previously been tendered to the Division of Gas and Oil, the Office of the Gas and Oil Inspector, at Abingdon, Virginia;

That the Order of the 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 the Order was recorded in the county identified above; that said Order was recorded on June 5, 1998;

That the designated operator POCAHONTAS GAS PARTNERSHIP has established procedures to review all mail received and all written documents received 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 the Subject Unit; that the following persons delivered, by mail or otherwise, written elections the Unit Operator, within the thirty day elections period:

None.

That Respondents identified in Exhibit B-3 hereto are, having failed to make any election, deemed to have leased their coalbed methane rights, interests and claims to Applicant, all as provided in the Board's Order of May 26, 1998;

See Attached Exhibit B-3

That the rights, interests and claims of the following persons are subject to escrow under the Board's Order pooling the captioned Unit, Board Regulations and the Code of Virginia:

See attached Exhibit E.

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:

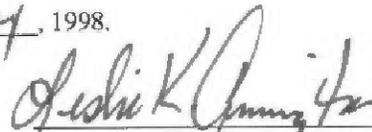
None.

that to the extent any of said persons listed in Exhibit B-2 have rights, interests and claims which are not subject to escrow, they should be dismissed as respondents; the Operator requests that the following persons be dismissed as Respondents:

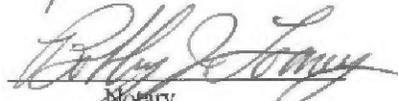
None.

That pursuant to the provisions of VAC 25-160-70.A.10. and C. and VAC 25-160-80 the annexed supplemental order sets forth the interests and claims that require escrow of funds pursuant to Virginia Code sections 45.1-361.21.D. and 45.1-361.22.A.3. and 4.

Dated at Tazewell, Virginia, this 13<sup>th</sup> day of July, 1998.

  
Leslie K. Arrington

Taken, subscribed and sworn to before me by Leslie K. Arrington as Permit Specialist of CONSOL Inc., on behalf of the corporate Designated Operator, this 13<sup>th</sup> day of July, 1998.

  
Notary

My commission expires: 1-31-2001.

Exhibit B-3  
 Unit Z-38  
 Docket No. VGOB-98-0324-0634  
 List of Unleased Owners/Claimants

		Net Acres in Unit	Interest in Unit	Election
<b>I. OIL &amp; GAS FEE OWNERSHIP</b>				
<b><u>TRACT #1B - 20.98 acres</u></b>				
(1)	Curtis Wade Rt. 1, Box 200 Raven, VA 24639	20.98 acres	26.22500%	Deemed Leased
<b><u>TRACT #1C - 0.28 acres</u></b>				
(1)	Gerald K. Shortt General Delivery Shortt Gap, VA 24647	0.28 acres	0.35000%	Deemed Leased
<b><u>TRACT #1D - 1.42 acres</u></b>				
(1)	Elmer Burke Rt. 1, Box 207 Raven, VA 24639	1.42 acres	1.77500%	Deemed Leased

Exhibit E  
Unit Z-38

Docket No. VGOB-98-0324-0634

List of Conflicting Owners/Claimants that require escrow

		Net Acres in Unit	Interest in Unit
<b><u>TRACT #1 - 12.80 acres</u></b>			
<b><u>COAL FEE OWNERSHIP</u></b>			
(1)	Commonwealth Coal Corp. Tr 3 P.O. Box 1269 Bristol, VA 24203	12.80 acres	16.00000%
<b><u>OIL &amp; GAS FEE OWNERSHIP</u></b>			
(1)	Betty Addison 1305 Terrace Court Sykesville, MD 21784	12.80 acres	16.00000%
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<b><u>COAL FEE OWNERSHIP</u></b>			
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<b><u>OIL &amp; GAS FEE OWNERSHIP</u></b>			
(1)	Elmer Burke Rt. 1, Box 207 Raven, VA 24639	1.42 acres	1.77500%

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 2nd day of September, 1998 at 3:37 P. M. Deed Book No. 132 and Page No. 132.  
Returned this date to: Wmme TESTE: James M. Bevins, Jr., Clerk  
TESTE: Quincy S. Jiller Deputy Clerk

Z 462 596 266

US Postal Service

**Receipt for Certified Mail**

No Insurance Coverage Provided.

Do not use for International Mail (See reverse)

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Street & Number	
Post Office, State, & ZIP Code	
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Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, & Addressee's Address	
<b>TOTAL Postage &amp; Fees</b>	<b>\$</b>
Postmark or Date	

PS Form 3800, April 1995

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**CERTIFIED**

Z 462 596 266

**MAIL**