

INSTRUMENT PREPARED BY
VIRGINIA GAS AND OIL BOARD

ORDER RECORDED UNDER CODE
OF VIRGINIA SECTION 45.1-361.26

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANTS:	Hugh MacRae Land Trust/Torch Operating) Company;) and Consolidation Coal Company) (previously Permac, Inc.))	DOCKET NO. 99-0216-0709-01
RELIEF SOUGHT:	Issuance of an Amended Supplemental) Order Amending Prior Orders Affecting) Drilling Unit FF-23) Located in Hurricane District,) Buchanan County, Virginia) (herein "Subject Drilling Unit") to Provide:) (1) Calculation of Funds Unit Operator) Deposited into the Escrow Account for) Subject Drilling Unit by Tract Subaccounts;) (2) to Applicants a Royalty Accounting; and) (3) Disbursement to applicants in) Accordance with Their Royalty Split) Agreement Those Funds Deposited by the) Unit Operator into Subject Drilling Unit's) Escrow Subaccount for VGOB Tract 2B.)	

REPORT OF THE BOARD
FINDINGS AND ORDER

1. **Hearing Date and Place:** This matter came on for final hearing before the Virginia Gas and Oil Board (herein "Board") at 9:00 a.m. on July 18, 2006 at the Southwest Virginia Higher Education Center on the campus of Virginia Highlands Community College, Abingdon, VA.
2. **Appearances:** Mark Swartz, Esq. appeared for the Unit Operator; 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.*, and in particular Va. Code §§ 45.1-361.21 and 45.1-361.22, the Board finds that it has jurisdiction over the establishment and maintenance of an escrow account, with tract subaccounts, for each of the coalbed methane gas drilling units established by the Board through its field rules that are subject to a Board pooling order. Further, the Unit Operator is required to deposit, as applicable, those funds specified in Va. Code § 45.1-361.21.D., 45.1-361.22.A.2, 45.1-361.22.A.3 and 45.1-361.22.A.4 into the applicable escrow tract subaccounts. The Board finds that: (1) while it does not have jurisdiction to resolve conflicting claims to the ownership of the Coalbed Methane Gas produced by the Unit Operator from wells located on Subject Drilling Unit, and (2) while it does not have jurisdiction to interpret agreements by and between the Gas owners/claimants and/or the Unit Operators or to abridge or contravene the provisions of such agreements, (3) pursuant to Va. Code § 45.1-361.22.A.5, the Board does have jurisdiction and authority to disburse funds from the Escrow Account provided the Board has been provided with a final decision of a court of competent jurisdiction adjudicating the ownership of coalbed methane gas as between the conflicting claimants or an agreement among all claimants owning conflicting estates in the tract in question or any undivided interest therein.
4. **Prior Proceedings:**

- 4.1. On September 30, 1999, the Board executed its order pooling all interests in the Subject Drilling Unit for the production of occluded natural gas produced from coalbeds and rock strata associated therewith (herein "Gas") in accordance with the provisions of Va. Code §§ 45.1-361.21 and 45.1-361.22 (herein "Pooling Order"). The Pooling Order was filed with the Clerk of the Circuit Court of Buchanan County in Deed Book 497 at Page 426. The Board designated Equitable Resources Exploration as the Unit Operator of the Subject Drilling Unit. The Pooling Order was amended and supplemented by the Board's Supplemental Order Regarding Elections executed on December 3, 1999 that was filed with the Clerk's Office on in Deed Book 499 at page 362 ("Supplemental Order") (hereafter the Pooling Order and the Supplemental Order are collectively referred to as the "Pooling Order").
- 4.2 To the extent claims to the Gas were in conflict, pursuant to Va. Code § 45.1-361-22 payments attributable to said conflicting claims were ordered deposited by the Unit Operator into the escrow account established by the Pooling Order (herein "Escrow Account"). According to the Pooling Order, the oil and gas fee ownership of Consolidation Coal Company, previously Permac, Inc., and the coal fee ownership of Hugh MacRae Land Trust/Torch Operating Company in a 6.46-acre tract known as VGOB Tract 2B in Subject Drilling Unit were in conflict and became subject to the escrow requirements of the Pooling Order.
- 4.3 The Unit Operator's Affidavit and Miscellaneous Petition, a copy of which is attached to and made a part hereof, and sworn testimony states under oath that Applicants have entered into a royalty split agreement, and that by the terms of that agreement escrow regarding the conflicting claims of Consolidation Coal Company, previously Permac, Inc. and Hugh MacRae Land Trust/Torch Operating Company is no longer required.
- 4.4 The Unit Operator gave notice to Consolidation Coal Company, previously Permac, Inc. and Hugh MacRae Land Trust/Torch Operating Company that the Board would take the Affidavit referred to in Paragraph 4.3 above under consideration at its hearing on July 18, 2006 and consider whether to: (1) amend the Pooling Order to provide for the disbursement of funds on deposit in the Escrow Account attributable to Tract 2B and the interest of Consolidation Coal Company, previously Permac, Inc. and Hugh MacRae Land Trust/Torch Operating Company in accordance with the terms of their split agreement, (2) delete the requirement that the Unit Operator place future royalties attributable to Applicants in Tract 2B in the Escrow Account, and (3) continue the escrow account under this docket number because parties other than those seeking disbursement under this order are subject to escrow.
- 4.5 The Unit Operator filed the attached accounting for Subject Drilling Unit's Escrow Account with the Board ("Accounting").

5. **Findings:**

- 5.1. Va. Code 45.1-361.22.5 provides:

The Board shall order payment of principal and accrued interests, less escrow account fees, from the escrow account to conflicting claimants within thirty days of receipt of notification of (i) a final decision of a court of competent jurisdiction adjudicating the ownership of coalbed methane gas as between them or (ii) an agreement among all claimants owning conflicting estates in the tract in question or any undivided interest therein. The amount to be paid to the conflicting claimants shall be determined based on the percentage of ownership interest of the conflicting claimants as shown in the operator's supplemental filing made part of the pooling order that established the escrow account, the operator's records of deposits attributable to those tracts for which funds are being requested, and the records of the escrow account for the coalbed methane gas drilling unit. The interests of any cotenants who have not entered into an agreement shall remain in the escrow account.

5.2 The Unit Operator has certified and represented to the Board that:

- (1) Hugh MacRae Land Trust/Torch Operating Company is the owner of 100% of the coal estate underlying VGOB Tract 2B of the Subject Drilling Unit;
- (2) Consolidation Coal Company, previously Permac, Inc. is the owner of 100% of oil and gas estate underlying VGOB Tract 2B of the Subject Drilling Unit;
- (3) that Consolidation Coal Company, previously Permac, Inc. and Hugh MacRae Land Trust/Torch Operating Company have entered into an agreement to split on a 50/50 basis royalties attributable to their conflicting claims to coalbed methane gas underlying VGOB Tract 2B of Subject Drilling Unit and their proportionate share of conflicting claims to bonuses and/or royalties, if any, deposited by the Unit Operator in the Escrow Account which are attributable to said tract.
- (4) that the net interests attributable and to be disbursed to applicants are shown in Table 1, Below.

TABLE 1		
Tract # Owner Names	% interest in tract	% interest in 99-0216-0709 balance
Tract 2B Hugh MacRae Land Trust/Torch Operating Company P. O. Box 200722 Houston, TX 77216-0122	50%	17.4973%
Tract 2B Consolidation Coal Company P. O. Box 947 Bluefield, VA 24605	50%	17.4973%

6. **Relief Granted:**

For the reasons set forth in Paragraph 4 and 5 above, and based upon the Accounting, the Escrow Agent is ordered to, within 10 days of receipt of this executed order: (1) disburse fifty percent (50%) of the funds attributable to VGOB Tract 2B, being 17.4973 percent of funds on deposit in the escrow sub-account on the date of disbursement, to:

Hugh MacRae Land Trust/Torch Operating Company
P. O. Box 200722
Houston, TX 77216-0122

and (2) disburse fifty percent (50%) of the funds attributable to the VGOB Tract 2B, being 17.4973 percent of funds on deposit in the escrow sub-account on the date of disbursement, to:

Consolidation Coal Company
P. O. Box 947
Bluefield, VA 24605

Exhibits to the Pooling Order showing owners subject to escrow are deleted in toto and replaced with the Exhibit E attached to this order. Further, the Supplemental Order filed in this cause is hereby modified to delete the requirement that payments attributable to the conflicting coalbed methane gas ownership interests of Applicants in VGOB Tract 2B be deposited by the Unit Operator into the Escrow Account, and, because there are other owners subject to escrow under the Supplemental Order, the Escrow Agent is directed to continue the Escrow Account for Subject Drilling Unit. To the extent not specifically granted herein, any other or further relief is denied.

7. **Conclusion:**

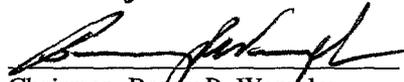
Therefore, the requested relief and all terms and provisions set forth above in Paragraph 6 above be and hereby are granted and IT IS SO ORDERED.

8. **Appeals:**

Appeals of this Order are governed by the provisions of Va. Code § 45.1-361.9 which provides that any order or decision of the Board may be appealed to the appropriate circuit court and that whenever a coal owner, coal operator, gas owner, gas operator, or operator of a gas storage field certificated by the State Corporation Commission is a party in such action, the court shall hear such appeal de novo.

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

DONE AND EXECUTED this 21st day of August, 2007, by a majority of the Virginia Gas and Oil Board.

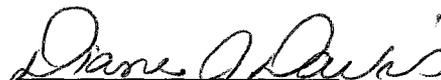

Chairman, Benny R. Wampler

DONE AND PERFORMED this 21st day of August, 2007, by an Order of this Board.


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

STATE OF VIRGINIA
COUNTY OF WASHINGTON

Acknowledged on this 21st day of August, 2007, 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, and 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 they executed the same and were authorized to do so.


Diane J. Davis, Notary
174394

My commission expires: September 30, 2009

BEFORE THE VIRGINIA GAS AND OIL BOARD

PETITIONER: CNX Gas Company LLC

DIVISION OF GAS AND OIL
DOCKET NO: VGOB 99-0216-0709-01

RELIEF SOUGHT: (1) DISBURSEMENT FROM
ESCROW REGARDING TRACT(S) 2B
(2) AND AUTHORIZATION FOR DIRECT
PAYMENT OF ROYALTIES

HEARING DATE: July 18, 2006

DRILLING UNIT: FF-23

BUCHANAN COUNTY, VIRGINIA



MISCELLANEOUS PETITION

1. **Petitioner and its counsel:** Petitioner is CNX Gas Company LLC, P. O. Box 947, Bluefield, Virginia 24605, 276/988-1000. Petitioner's counsel is Mark A. Swartz, SWARTZ LAW OFFICES, PLLC, P.O. Box 517, Abingdon, VA 24212.

2. **Relief sought:** (1) the disbursement of escrowed funds heretofore deposited with the Board's Escrow Agent(s) attributable to Tract(s) 2B as depicted upon the annexed Exhibit A; and (2) authorization to begin paying royalties directly to the parties to the royalty split between Hugh MacRae Land Trust / Torch Operating Company and Consolidation Coal Company (previously Permac Inc.).

3. **Legal Authority:** Va. Code Ann. § 45.1-361.1 et seq., 4 VAC 25-160-140., and relevant Virginia Gas and Oil Board Orders ("Board") heretofore promulgated pursuant to law.

4. **Type of well(s):** Coalbed methane.

5. **Factual basis for relief requested:** Hugh MacRae Land Trust / Torch Operating Company and Consolidation Coal Company (previously Permac Inc.), have entered into a royalty split agreement. Said royalty split agreement allows the Applicant and Designated Operator to pay royalties directly to the persons identified in Exhibit EE annexed hereto and, further, specifies how said royalties are to be divided and paid, to-wit: 17.4973 percent of escrow to Hugh MacRae Land Trust / Torch Operating Company and 17.4973 total percent of escrow to Consolidation Coal Company.

6. **Attestation:** The foregoing Petition to the best of my knowledge, information, and belief is true and correct.

CNX GAS COMPANY LLC
BY IT'S PROFESSIONAL MANAGER
CNX GAS COMPANY LLC, PETITIONER

By:

A handwritten signature in black ink, appearing to read "Leslie K. Arrington".

Leslie K. Arrington
Manager – Environmental Permitting
CNX Gas Company LLC
P.O. Box 947
Bluefield, Virginia 24605
276/988-1000

Exhibit A
Tract-by-Tract Escrow Calculation
Account Balances as of 5/31/06

Unit FF-23
VGOB 99-0216-0709-01
Acres Escrowed: 18.46

Owners	Tract #	Acres	Total Tract Percent of Escrow	Fractional Interest	Owners' Percent of Escrow (50%)	Amount Due Owners \$43,934.98
Hugh MacRae / Torch - Coal	2a	12.00	65.0054%	---	32.5027%	\$14,280.06
Carlos Hale Heirs - O&G					32.5027%	\$14,280.06
Hugh MacRae / Torch - Coal	2b	6.46	34.9946%	---	17.4973%	\$7,687.43
Consolidation Coal Co. - O&G					17.4973%	\$7,687.43

Information presented here is for reference use only, CNX is not responsible for determinations made using the data represented here.

This information is for estimation purposes only.

Exhibit E
Unit FF-23
Docket No. VGOB- 99-0216-0709
List of Conflicting Owners/Claimants that require escrow

	Net Acres in Unit	Interest in Unit
<u>Tract #2 A - 12.00 acres</u>		
<u>COAL FEE OWNERSHIP</u>		
(1) Hugh Macrae Land Trust Tr. 9 P. O. Box 29 Tazewell, VA 24651	12.00 acres	13.39435%
(2) Torch Operating Co. (CBM Royalty Owner) P. O. Box 200722 Houston, TX 77216-0122		
<u>OIL & GAS FEE OWNERSHIP</u>		
(1) Carlos Henry Hale Heirs, Devisees Successors or Assigns	12.00 acres	13.39435%
(a) Lorene Hale P. O. Box 841 Cedar Bluff, VA 24609	4.00 acres 1/3 of 12.00 acres	4.46478%
(b) Pamela J. Keene HC 65, Box 18-B Oakwood, VA 24631	2.67 acres 2/9 of 12.00 acres	2.97652%
(c) Jamie Hale Rt. 2, Box 468 Haysi, VA 24256	2.67 acres 2/9 of 12.00 acres	2.97652%
(d) Jeffery C. Hale 1926 Zacks Fork Rd. Lenoir, NC 28645	2.67 acres 2/9 of 12.00 acres	2.97652%

Exhibit EE
Unit FF-23
Docket No. VGOB-99-0216-0709
List of Conflicting Owners/Claimants with Royalty Split Agreements

	Net Acres in Unit	Interest in Unit	Percent of Escrow
<u>Tract #2B - 6.46 acres</u>			
<u>COAL FEE OWNERSHIP</u>			
(1) Hugh Macrae Land Trust Tr. 9 P. O. Box 29 Tazewell, VA 24651	6.46 acres	7.21063%	34.9946%
(2) Torch Operating Co. (CBM Royalty Owner) P. O. Box 200722 Houston, TX 77216-0122			
<u>OIL & GAS FEE OWNERSHIP</u>			
(1) Consolidation Coal Company P. O. Box 947 Bluefield, VA 24605 (previously Permac Inc.)	6.46 acres	7.21063%	34.9946%

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 acknowledgement annexed, admitted to record this 28th day of August, 2007. Instrument No. 070003152
Returned to: D.M.M.E. TESTE: Beverly S. Tiller, Clerk
TESTE: Beverly S. Tiller Clerk

BL
8/18

ENTERED

Entered on
spread sheet

INSTRUMENT #070003152
RECORDED IN THE CLERK'S OFFICE OF
BUCHANAN COUNTY ON
AUGUST 28, 2007 AT 04:17PM
BEVERLY S. TILLER, CLERK
RECORDED BY: TL2

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: Pocahontas Gas Partnership

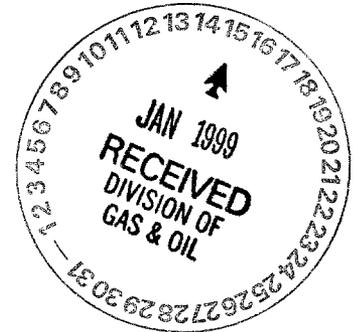
DIVISION OF GAS AND OIL
DOCKET NO. VGOB-99-0216-0709

RELIEF SOUGHT: POOLING

UNIT NUMBER: FF-23

NOTICE OF HEARING

HEARING DATE: February 16, 1999
PLACE: Southwest Virginia 4-H Center
Abingdon, Virginia
TIME: 9:00 AM



COMMONWEALTH OF VIRGINIA:

To: Carlos C. Hale, Heirs, Devisees, Successors or Assigns and Permac Inc.

1. **Applicant and its counsel:** Applicant is Pocahontas Gas Partnership, P. O. Box 947, Bluefield, Virginia 24605, 540/988-1016. Applicant's counsel is Mark A. Swartz, P.O. Box 517, Abingdon, VA 24212.

2. **Relief sought:** Pooling.

3. **Proposed provisions of order:** (a) Pooling all the interests and estates of the persons named above in coalbed methane in the unit in question; (b) Establishing a procedure whereby each respondent shall have the right to make elections; (c) Providing that any respondent who does not make a timely election shall be deemed to have leased or assigned his coalbed methane gas interests to the applicant at a rate to be established by the Board; (d) Designating Pocahontas Gas Partnership as Unit Operator; (e) Making any necessary provisions for the escrow of funds; (f) Granting such other relief as is merited by the evidence and is just and equitable, whether or not such relief has been specifically requested herein.

4. **Legal Authority:** Va. Code Ann. §45.1-361.1 et seq. 4 VAC 25-160-10 et seq. and relevant Virginia Gas and Oil Board Orders heretofore promulgated pursuant to law including OGCB 3-90; VGOB-91-1119-162; VGOB 92/02/16-0336; and VGOB 93/03/16-0349.

5. **Type of well(s):** Coalbed methane.

6. **Plat:** Annexed hereto are Exhibit A, Exhibit A1 and the Plat Legend to Exhibit A. The Plat shows the size and shape of the unit and the boundaries of the tracts within the unit. The Legend shows the percentage of acreage in each tract. The plat is certified by a licensed professional engineer and is attested by the undersigned on behalf of the applicant to be in conformity with existing orders issued by the Board.

7. **Your interest or claim sought to be pooled by this Application pertains to coalbed methane gas.**

8. **Formation(s) to be produced and estimates:** All coal seams and associated strata below the Tiller seam of coal all as more particularly described in the annexed proposed order. The estimated total production from subject unit is 125 to 550 MMCF. The estimated amount of reserves from the subject drilling unit is 125 to 550 MMCF. These figures concerning estimated production and the amount of reserves are, however, estimates only that are not based upon actual production and should not be relied upon for any purpose. It should not be assumed that final production before plugging and abandonment will equal estimated reserves.

9. **Estimate of allowable costs:** \$235,445.14

10. **Attestation:** The foregoing application to the best of my knowledge, information, and belief is true and correct.

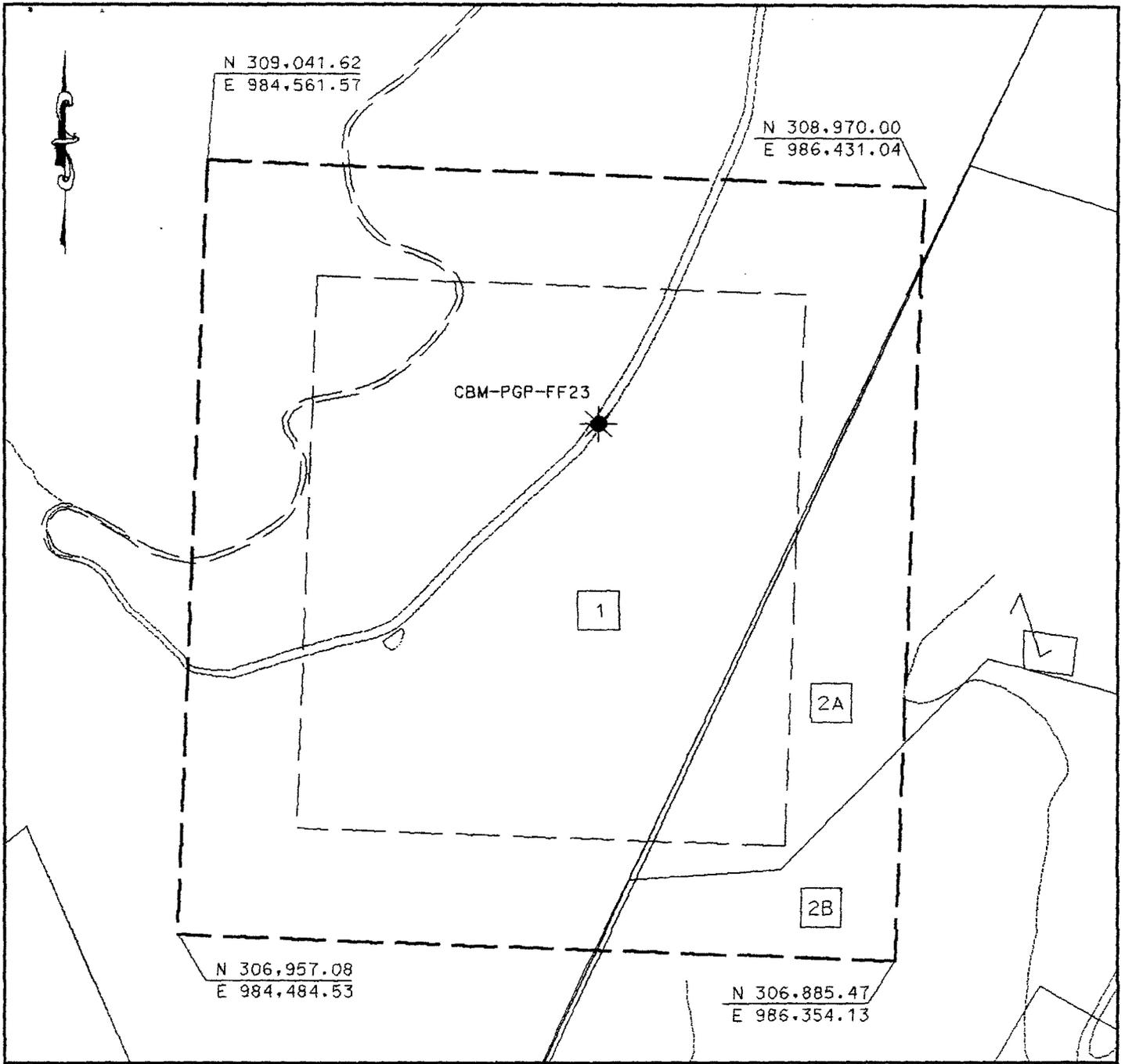
NOTICE IS FURTHER GIVEN that this cause has been set for hearing and the taking of evidence before the Board at 9:00 AM, on February 16, 1999, at the Southwest Virginia 4-H Center, Abingdon, Virginia, and that notice will be published as required by law and the rules of the Board.

NOTICE IS FURTHER GIVEN that you may attend this hearing, with or without an attorney, and offer evidence or state any comments you have. The Board rules require that any written objections you wish to file must be filed with the Board at least 10 days before the hearing. For further information or a copy of the application and exhibits, either contact the Virginia Gas and Oil Board, State Oil and Gas Inspector, Department of Mines, Minerals and Energy, Division of Gas and Oil, P. O. Box 1416, Abingdon, Virginia 24210, 540/676-5423 or the Applicant at the address shown below.

DATED: JANUARY 15, 1999

Pocahontas Gas Partnership
Applicant

By: Leslie K. Arrington
Leslie K. Arrington, Permit Specialist
P.O. Box 947
Bluefield, Virginia 24605
540/988-1016



LEGEND

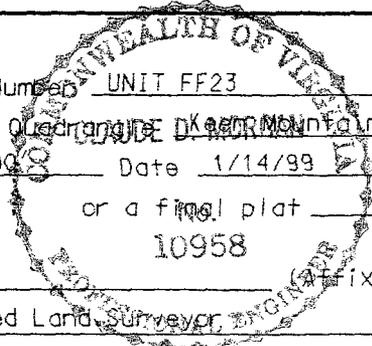
-  TRACT LAND HOOK
-  TRACT LAND ID'S

EXHIBIT A
 OAKWOOD FIELD UNIT FF-23
 FORCE POOLING
 VGOB-99-0216-0709

Company Pocahontas Gas Partnership Well Name and Number UNIT FF23
 Tract No. Buckhorn Coal Co. Elevation 0 Quadrangle of Deer Mountain
 County Buchanan District Hurricane Scale: 1" = 400' Date 1/14/99
 This plat is a new plat X ; an updated plat _____ or a final plat _____

Form DGO-60-7
 Rev. 9/91

Claude A. Moya
 Licensed Professional Engineer or Licensed Land Surveyor



(Affix Seal)

POCAHONTAS GAS PARTNERSHIP

Unit FF-23

Tract Identifications

1. Buckhorn Coal Mining - Tr. 1 - Fee
Consolidation Coal Company - Below Tiller coal Leased
Permac, Inc. - Tiller and above coal Leased
Pocahontas Gas Partnership - CBM Leased
71.13 acres 79.39502%

- 2A. Hugh MacRae Land Trust - TR 9 - Coal
Consolidation Coal Company - Below Tiller coal Leased
Permac, Inc. - Tiller and above coal Leased
Pocahontas Gas Partnership - CBM Leased
Carlos Hale, Heirs - Surface, Oil & Gas
12.00 acres 15.00000%

- 2B. Hugh MacRae Land Trust - TR 9 - Coal
Consolidation Coal Company - Below Tiller coal Leased
Permac, Inc. - Tiller and above coal Leased
Pocahontas Gas Partnership - CBM Leased
Permac Inc. - Surface, Oil & Gas
6.46 acres 8.07500%

