

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: Charlton Tiller)
)
)
RELIEF SOUGHT: Issuance of an Amended Supplemental)
Order Amending Prior Orders Affecting)
Drilling Unit VC-4371 Located in the Nora)
Coalbed Gas Field, Dickenson County, VA)
(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 Petitioners, a Royalty Accounting; and)
(3) Disbursement to Petitioners)
in Accordance with Their Ownership)
Interests in Those Funds Deposited by the)
Unit Operator into Subject Drilling Unit's)
Escrow Subaccount for VGOB Tract 4)

DOCKET NO.
00-0321-0785-01

**TAX MAP IDENTIFICATION
NUMBERS: TAX MAP
IDENTIFICATION NUMBERS
FOR ALL PARCELS AFFECTED
BY THIS ORDER ARE SHOWN
ON EXHIBIT(S) _____
WHICH IS/ARE ATTACHED TO
AND A PART OF THIS ORDER.**

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") on May 15, 2007 at the Southwest Virginia Higher Education Center on the campus of Virginia Highlands Community College, Abingdon, VA.
2. **Appearances:** Charlton Tiller appeared *pro se*; James E. Kaiser, Esq. Appeared for the unit operator; and Deanis Simmons, 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 April 27, 2000, 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 Dickenson County on May 3, 2000 in Deed Book 354 at page 444. The Board designated Equitable Production Company 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 September 14, 2000 that was filed with the Dickenson County Circuit Court Clerk's Office on September 20, 2000 in Deed Book 358 at page 535 ("Supplemental Order"). (Hereafter the Pooling Order and the Supplemental Order are collectively referred to as the Pooling Orders).
- 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/interests 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 coalbed methane ownership of Pine Mountain Oil and Gas, Inc. and the oil and gas fee ownership of Charlton Tiller or their predecessors in title in a 10.2-acre tract known as VGOB Tract 4 in Subject Drilling Unit VC-4371 were in conflict and became subject to the escrow requirements of the Pooling Order.
- 4.3. The Petitioners' Miscellaneous Petition for the release of escrowed funds dated April 13, 2007, a copy of which is attached to and made a part hereof, and sworn testimony attested that Pine Mountain Oil and Gas, Inc. released its claim to the royalty proceeds in the subject Drilling Unit to Charlton Tiller and therefore the escrow regarding the conflicting claims of said parties was no longer required. By sworn testimony, the Unit Operator notified the Board that Pine Mountain Oil and Gas, Inc. had notified it of its relinquished claim regarding the Escrow Account for VGOB Tract 4 of the Subject Unit.
- 4.4. The Unit Operator notified Pine Mountain Oil and Gas and the Charlton Tiller that its Miscellaneous Petition requested that the Board consider: (1) entering an Order to release the escrow funds attributable to Tract 4 and the interests of Charlton Tiller being held by the Escrow Agent; and (2) delete the requirement that the Unit Operator place future royalties attributable to the above-named party in Tract 4 in the Escrow Account.
- 4.5. The Unit Operator filed the attached accountings for Subject Drilling Unit's Escrow Account with the Board ("Accountings").

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 Petitioners have certified and represented to the Board that:
- (1) Charlton Tiller are the owners of 100% of the oil and gas estate underlying 10.2 net acres of VGOB Tract 4 of the subject Drilling Unit.
 - (2) Pine Mountain Oil and Gas, Inc. has transferred to and relinquished to the Charlton Tiller any and all rights, title and interest that it may have to all current and future royalties and accrued interest held in the Escrow Account attributable to the Petitioners pursuant to the Pooling Order.

- (3) The net interests attributable and to be disbursed to Charlton Tiller in Tract 4 are shown in Table 1, below.

TABLE-1		
Tract # 4 Owner Names	Net acres in Unit	% Interest in VGOB 00-0321-0785 balance
Charlton Tiller 250 Melrose St. Abingdon, VA 24210	10.2	87.9502%

6. **Relief Granted:**

For the reasons set forth in Paragraphs 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 100% of the funds attributable to VGOB Tract 4, being 87.9502 per cent of the funds on deposit in the escrow subaccount on the date of disbursement, to Charlton Tiller and mail attributable proceeds to the address shown in the table.

Exhibits to the Pooling Order, showing owners subject to escrow, are deleted in toto and replaced with the Exhibit E attached hereto. Further, the Supplemental Order filed in this cause is hereby modified to delete the requirement that payments attributable to the oil and gas fee ownership of Charlton Tiller in Tract 4 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:**

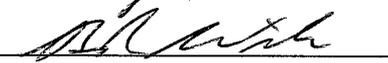
Appeals of this Order are governed by the provisions of Va. Code § 45.1-361.9 which provides that any order or decision of the Board may be appealed to the appropriate circuit court and that whenever a coal owner, coal operator, gas owner, gas operator, or operator of a gas storage field certificated 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.

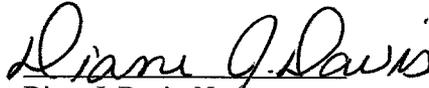

Chairman, Benny R. Wampler

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


B. R. Wilson
Principal Executive to the Staff

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

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANTS: Charlton Tiller

DOCKET NUMBER: VGOB 00/03/21-0785-01

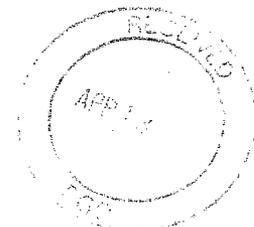
RELIEF SOUGHT: Supplemental Order for Disbursement of Escrowed Funds on behalf of Charlton Tiller

LEGAL DESCRIPTIONS: Drilling Unit Number 704371 created by Board Order Dated February 27, 2007 VGOB 00/03/21-0785 in Dickenson County, Virginia.

HEARING DATE: May 15, 2007

MISCELLANEOUS PETITION

1. Party: Applicants herein are Charlton Tiller, (hereinafter "Plaintiffs), whose address is 19222 Mercedes Dr, Abingdon, VA 24210.
2. Facts:
 - a. Equitable was designated as the Operator and Applicants interests were Pooled in the 704371 Unit by Order of the Virginia Gas and Oil Board (hereinafter "Board") executed on May 2, 2000, pursuant to Docket No. VGOB 00/03/21-0785 and recorded in the Circuit Court Clerk's Office Russell County, Virginia on May 3, 2000, Deed Book 354, Page 444 (hereinafter "Order").
 - b. The order and Supplemental Order required the Escrow Agent named and appointed therein to establish an interest-bearing escrow account for funds pertaining to the above-referenced Unit and subject to escrow pursuant to the terms of the Order.
 - c. The Order and Supplemental Order further required the Operator to deposit bonus and royalty payments with the Escrow agent which could not me made because the person(s) entitled hereto could not be made certain due to conflicting claims of ownership.
 - d. Pine Mountain Oil and Gas, Inc. was a conflicting claimant with the above-listed Plaintiffs with regard to Tract 4 as created by Board Order as VGOB 00/03/21-0785 is the applicable Tract.
 - e. To resolve this conflict, a Letter dated June 26, 2006 signed by Jerry Grantham, an officer Landman of Pine Mountain Oil and Gas, Inc. is attached hereto and incorporated herein as Exhibit "A".
 - f. The amounts deposited with the Escrow Agent regarding the Unit need to be determined and distributed accordingly.



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- g. Any escrow amount, not yet deposited into the escrow account, held by Operator should also be determined, and distributed to Applicants/Plaintiffs herein, accordingly.
- h. Applicants/Plaintiffs herein do hereby request that the Board enter amended supplemental order for the Unit directing the Escrow Agent and the Operator to disburse to the aforesaid Plaintiff the funds attributable to the previous conflicting claim with Pine Mountain, held in escrow for the VGOB number as listed above.
 1. The Applicants certify that the matters set forth in the application, to the best of their knowledge, information, and belief, are true and correct and that the form and content of the Application and conform to the requirements of relevant Board regulations and orders.
 2. Legal Authority: Va. Code Ann. §45.1-361.1 et seq., 4 VAC 25-160, and such other regulations and Board orders promulgated pursuant to law.
 3. Relief Sought: Applicants request that the Board issue amended supplement order amending all prior orders affecting the Unit which amended supplement order will provide as follows:
 - a. Determining the amount of funds attributable to the Applicants/Plaintiffs herein.
 - b. Directing the Escrow Agent to determine the amount of funds attributable to Applicants/Plaintiffs herein, provide an accounting hereof, and disburse the funds on deposit with the Escrow Agent, including any applicable interest, pertaining to the interest in the Unit shown above for distribution.
 - c. Directing the Operator to determine the amount of funds attributable to the Applicants/Plaintiffs herein, provide an accounting thereof, and disburse the units in its hands, if any, subject to escrow but not then on deposit with the Escrow Agent, including any applicable interest, at the time of the Supplemental Order requested therein is executed, attributable to the Applicants/Plaintiffs herein for distribution.
 - d. Directing the Operator to disburse the funds, including any applicable interest, and provide an accounting thereof, which it may receive after the date of the execution of the amended supplemental order requested in the Application, if any, attributable to the Applicants/Plaintiff herein, and to discontinue the payment of such funds into Escrow.

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- e. 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.

Dated this 13th day of April, 2007.

By: _____

Petitioner

Address: 220 Broad Street, Suite 202
Kingsport, TN 37660

CERTIFICATE

The foregoing application to the best of my knowledge, information and belief is true and correct. Notice was given pursuant to Va. Code Ann. §45.1-361.19.

Petitioner

Docket Number VGOB 00/03/21-0785

PINE MOUNTAIN
Oil and Gas, Inc.

P.O. Box 2136
406 W. Main Street
Abingdon, Virginia 24212
Phone: (276) 628-9001
Fax: (276) 628-7246



June 26, 2006

Ms. Melanie Freeman
Equitable Production Company
1710 Pennsylvania Avenue
Charleston, WV 25302

Re: Escrowed Royalties – Well VC-703628 & VC-704371
Charlton Tiller (52.87 acres)

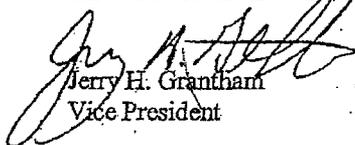
Dear Ms. Freeman:

It is our understanding that you are holding the royalty proceeds on the Charlton Tiller 52.78 acre portion of the above mentioned well units in escrow due to the conflict in ownership issues regarding coalbed methane. We have received the enclosed letter from Mr. Charlton Tiller requesting a royalty determination regarding the same. Mr. Tiller indicated to us that he is the oil and gas owner on the Charlton Tiller 52.97 acre tract in the subject well units; however, we do not have any information as to the current ownership of this tract. Pine Mountain waives its claim to the escrowed royalty proceeds related to the Charlton Tiller 52.87 acre portion of these well units, and asks that the appropriate oil and gas owner receive their proportionate disbursement of the royalty proceeds from this portion of these well units.

By copy of this letter, we are notifying Mr. Tiller of our action on this matter. If you have any questions or comments, please do not hesitate to contact me by phone at (276) 619-2582 or by e-mail at dlouthian@gl-energy.com.

Sincerely,

PINE MOUNTAIN OIL & GAS, INC.


Jerry H. Grantham
Vice President

JHG/dtl
Enclosures
cc: Mr. Charlton Tiller

EXHIBIT "E"
VC-4371
VGOB 00/03/21-0785

<u>TRACT</u>	<u>LESSOR</u>	<u>LEASE STATUS</u>	<u>INTEREST WITHIN UNIT</u>	<u>GROSS ACREAGE IN UNIT</u>
<u>Gas Estate Only</u>				
2 ID 20972	Pittston Company* c/o Pine Mountain Oil & Gas, Inc. Attn: Richard Brillhart PO Box 5100 Lebanon, VA 24226	Leased-EPC 241490L T2-174	28.20155500%	16.5723
*Subject to 1/3 of 1/6 Life Estate Interest of Faye Rose Breeding				
	Faye Rose Breeding, Single Canterbury Court # 558 3750 Peachtreet Road NE Atlanta, GA 30319	Leased-EPC 243087L01	0.00000000%	0.0000
	Avery Eugene Barton & Viginia Barton, H/W Rt 1 Box 333 New Boston, TX 75570	Unleased	0.62292600%	0.3661
	Jerry Chester Barton & Judy Barton, H/W 415 Woodland Dr Nitro, WV 25143	Leased-EPC 243087L03	0.509667%	0.2995
	Michael Wayne Barton & Brenda Barton, H/W Rt 2 Box 6460 Dillwyn, VA 23936	Unleased	0.311463%	0.1830
	Kevin Dale Barton & Fay Barton, H/W c/o Michael Wayne Barton Rt 2 Box 6460 Dillwyn, VA 23936	Unleased	0.311463%	0.1830
	Lowell Barton Address Unknown	Unleased	0.622926%	0.3661

BK 441PG 522

Coal Estate Only

2	Pittston Company	Leased-EPC	30.580000%	17.9700
ID 22029,	c/o Clinchfield Coal Company	244792.01		
12121, &	Attn: Steve Smith	TC-156		
22028	PO Box 7			
	Dante, VA 24237			

BK 441 PG 523

VC 4371
VGOB 00/03/21-0785

<u>Tract</u>	<u>Owner Name and Address</u>	<u>Owner Net Interest</u>	<u>Total Net Interest</u>	<u>Total Amount in Escrow</u>	<u>Owner's Amount in Escrow</u>	
<u>EPC figures</u>						
4	Charlton Tiller 19222 Mercedes Drive Abingdon, VA 24210	0.02170000	0.02467306	\$9,124.73	\$8,025.22	
<u>Bank Figures</u>						
	Charlton Tiller	0.02170000	0.02467306	\$9,126.56	\$8,026.83	
	19222 Mercedes Drive	0.02170000	0.02467306	\$585.06	\$514.56	Interest
	Abingdon, VA 24210	0.02170000	0.02467306	(\$5.58)	(\$4.91)	Fees

INSTRUMENT #070001541
RECORDED IN THE CLERK'S OFFICE OF
DICKENSON ON
AUGUST 22, 2007 AT 01:40PM
JOE TATE, CLERK

RECORDED BY: JBM

VIRGINIA: IN THE OFFICE OF THE CLERK OF THE CIRCUIT COURT OF DICKENSON COUNTY, Aug. 22, 2007. This deed was this day presented in said office, and upon the certificate of acknowledgment thereto annexed, admitted to record at 1:40 o'clock P.M, after payment of \$ tax imposed by Sec. 58.1-802.

Original returned this date to: B.R. Wilson

TESTE: JOE TATE, CLERK
BY: [Signature] D. CLERK