

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: **CNX GAS COMPANY LLC**

DIVISION OF GAS AND OIL
DOCKET **VGOB 00-1017-0835-08**

**RELIEF SOUGHT: MODIFICATION OF THE
VGOB MIDDLE RIDGE I COALBED METHANE
GAS FIELD RULE ORDER VGOB 00-1017-0835, AS
AMENDED, TO ALLOW MORE THAN ONE
COALBED GAS WELL TO BE DRILLED IN THE
UNITS IDENTIFIED ON EXHIBIT A1 HERETO**

LEGAL DESCRIPTION: **DRILLING UNITS AV134, AV141 thru AV152,
AW134, AW143 thru AW146, AW148 thru AW150, AX141 thru AX146, AY140
thru AY145, AZ138, AZ142, AZ143, BA134, BA138, BB134 thru BB137, BC136,
BC137, BD137; LOCATED IN RUSSELL COUNTY, VIRGINIA; SEE ANNEXED
EXHIBIT A1 AND STATE PLANE COORDINATE DESCRIPTIONS AT
PARAGRAPH 7.h. WITHIN.**

**REPORT OF THE BOARD
FINDINGS AND ORDER**

1. Hearing Date and Place: This matter **was continued at the June 15, 2010 hearing and** came for final hearing before the Virginia Gas and Oil board (hereafter "Board") at 9:00 a.m. on **July 20, 2010** at the Russell County Conference Center, Lebanon, Virginia.

1. Appearances: **Mark A. Swartz**, Esquire, appeared for the Applicant; and Sharon M.B. Pigeon, Assistant Attorney General was present to advise the Board.

2. Jurisdiction and Notice: Pursuant to sections 45.1-361.1 *et seq.*, Virginia Code, as amended, the Board finds that it has jurisdiction over the subject matter. Based upon the evidence presented by the 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, or in the case of conflicting claims to the ownership of the coalbed methane gas, each person identified by Applicant as a potential owner of the coalbed methane gas underlying the area described at paragraph 7.h below and in **Exhibit A1** attached hereto; and (2) has given notice to all parties so identified (hereinafter sometimes "person(s)" whether referring to individuals, corporations, partnerships,

associations, companies, businesses, trusts, joint ventures or other legal entities) and entitled by §§ 45.1-361.19 and 45.1-361.20, Virginia Code, as amended, to notice of this Application, and (3) that the persons listed in the Notice of Hearing are the persons so identified by the Applicant. Further, the Board has caused notice of this hearing to be published as required by § 45.1-361.19.B., Virginia Code, as amended. Whereupon, the Board hereby finds that the notices given satisfy all statutory requirements, Board rule requirements and the minimum standards of State due process.

3. Amendments and Dismissals: None.

4. Relief Requested: (1) Modification of the Middle Ridge I Coalbed Methane Gas Field Rule Order to allow more than one coalbed methane gas well to be drilled within each of the Middle Ridge I Field Drilling Units identified above and in **Exhibit A1** attached hereto; and (2) for an administrative order providing that additional well permits may be issued in the Middle Ridge I Field after this Application is filed and while it is pending.

5. Relief Granted: Available data and the evidence adduced at the hearing support Applicant's position that the production from the pool underlying the Middle Ridge I Coalbed Gas Field Drilling Units in question would be enhanced and benefit from in-field drilling; accordingly,

a. With regard to the Drilling Units described above and in **Exhibit A1** hereto, the Middle Ridge I Coalbed Methane Gas Field Rule Order, VGOB 00-1017-0835 entered October 17, 2000, is hereby amended to allow the Board's Designated Unit Operator in Drilling Units pooled by Board Order and the Well Operator/Permittee in voluntary Drilling Units to drill a total of two wells, said total to include any previously permitted well(s), within the units affected by the Application and this Order;

b. In the event that a well work permit for an additional (second) coalbed methane gas well(s) is submitted after the entry of this order and the proposed well location is within the drilling window(s) of a Middle Ridge I Coalbed Methane Gas Field Drilling Unit affected by this Order, the production therefrom shall be solely attributed to and allocated to the Middle Ridge I Drilling Unit within which the additional/second well(s) is located. Such additional/second well(s) will be subject to any existing pooling orders. No further Board appearance or action will be required before the Director may exercise his discretion to grant or deny a well work permit application for a second/additional well(s) if located as provided in this paragraph 6.b.;

c. In the event an additional second well is proposed that is to be located outside the drilling window of any Middle Ridge I Unit affected by this Order and a permit application is submitted to the Division of Gas and Oil seeking such location exception, the Inspector shall assess the permit as follows:

(i) If a 58 acre square with the proposed well at its center lies entirely within Middle Ridge I Drilling Units which are voluntary in nature and are not subject to existing pooling orders, the Inspector may grant or deny the location exception on a case-by-case basis according to standard procedures and provisions of the Middle Ridge I Order which allow wells to be drilled outside drilling windows; or

(ii) If a 58 acre square with the proposed well at its center lies entirely or partially within any Middle Ridge I Drilling Unit(s) which is subject to existing pooling orders, the Inspector shall refer the permit application to the Board for its recommendations concerning correlative rights considerations, modification of pooling orders, and escrow provisions. Alternatively, the Unit Operator may present a pooling proposal directly to the Board prior to filing a permit application. No permit under this paragraph ii. shall be issued until the Board has acted on the matter.

6. Special Findings:

- a. Applicant's proposed field rule modification is not an unreasonable or arbitrary exercise of the owner's right to explore for or produce gas;
- b. The Applicant's proposal would not unreasonably interfere with the present or future mining of coal or other minerals;
- c. The acreage to be embraced in the Drilling Units affected by and/or created by this Modification Order shall be as set forth above and in **Exhibit A1** attached hereto.
- d. The formations subject to this Modification Order are described in the Order entered with regard to VGOB 00-1017-0835, as amended.
- e. The boundaries of the Drilling Units are the same as heretofore established by VGOB 00-1017-0835, as amended.
- f. Unit Operator's production simulations indicate that drilling of an additional well in each Unit could facilitate the recovery of an additional 250,000 MCF of gas per Unit within 10 years of drilling.
- g. The acreage subject to this Modification Order is depicted in **Exhibit A1** hereto and is more specifically described as follows:

Units AV134, AW134

Beginning at a point, Virginia State Plane NAD 27 coordinate of N:305513°280 E:1022179.540; S 87°48'23" E 1599.51 feet to a point; thence S 02°03'25" W 1295.77 feet to a point; thence S 02°03'24" W 1599.80 feet to a point; thence N 87°56'35" W 1599.51 feet to a point; thence N 02°03'25" E 1599.81 feet to a point; thence N 02°03'25" E 1299.59 feet to a point of beginning, containing approximately **106.39** acres.

Units AZ138, BA134, BA138, BB134 thru BB137, BC136, BC137, BD137

Beginning at a point, Virginia State Plane NAD 27 coordinate of N:297819°426 E:1021903.221; S 87°56'35" E 1599.51 feet to a point; thence S 02°03'25" W 1599.81 feet to a point; thence S 87°56'35" E 1599.51 feet to a point; thence S 87°56'35" E 1599.51 feet to a point; thence S 87°56'36" E 1599.50 feet to a point; thence N 02°03'25" E 1599.80 feet to a point; thence N 02°03'25" E 1599.81 feet to a point; thence S 87°56'35" E 1599.51 feet to a point; thence S 02°03'25" W 1599.81 feet to a point; thence S 02°03'25" W 1599.80 feet to a point; thence N 87°56'35" W 1599.51 feet to a point; thence S 02°03'24" W 1599.81 feet to a point; thence S 02°03'25" W 1599.81 feet to a point; thence S 02°03'25" W 1599.80 feet to a point; thence N 87°56'35" W 1599.51 feet to a point; thence N 02°03'25" E 1599.80 feet to a point; thence N 87°56'35" W 1599.51 feet to a point; thence N 02°03'25" E 1599.81 feet to a point; thence N 87°56'35" W 1599.51 feet to a point; thence N 87°56'36" W 1599.51 feet to a point; thence N 02°03'25" E 1599.81 feet to a point; thence N 02°03'25" E 1599.81 feet to a point of beginning, containing approximately **587.40** acres.

Units AV141 thru AV152, AW143 thru AW146, AW148 thru AW150, AX141 thru AX146, AY140 thru AY145, AZ142, AZ143

Beginning at a point, Virginia State Plane NAD 27 coordinate of N:305084°270 E:1033367.910; S 87°49'09" E 19194.15 feet to a point; thence S 02°03'25" W 1230.93 feet to a point; thence N 87°56'35" W 3199.01 feet to a point; thence S 02°03'25" W 1599.81 feet to a point; thence N 87°56'35" W 4798.53 feet to a point; thence N 02°03'25" E 1599.81 feet to a point; thence N 87°56'36" W 1599.51 feet to a point; thence S 02°03'25" W 3199.61 feet to a point; thence N 87°56'35" W 1599.50 feet to a point; thence S 02°03'25" W 1599.81 feet to a point; thence N 87°56'35" W 3199.02 feet to a point; thence S 02°03'25" W 1599.81 feet to a point; thence N 87°56'36" W 3199.01 feet to a point; thence N 02°03'24" E 1599.82 feet to a point; thence N 87°56'35" W 3199.02 feet to a point; thence N 02°03'25" E 1599.81 feet to a point; thence N 47°03'05" E 2262.26 feet to a point; thence S 87°56'35" E 3199.02 feet to a point; thence N 02°03'25" E 1599.81 feet to a point; thence N 87°56'36" W 3199.02 feet to a point; thence N 02°03'25" E 1272.42 feet to a point of beginning, containing approximately **1901.70** acres.

h. Having considered the evidence presented, the Board found no reason to establish any allowable production rates for the wells contemplated by this Modification Order;

i. Except as herein specifically modified, the proposed Drilling Units more fully described above and in **Exhibit A1** attached hereto shall be developed and produced in compliance with VGOB 00-1017-0835, as amended.

j. This Modification Order shall be effective as of the date of the hearing, to-wit: **July 20, 2010.**

7. Conclusion: The relief granted hereby will assist in enhancing production from existing wells, will assist in more efficiently recovering coalbed methane gas from the area in question, will prevent waste, and will continue to protect the correlative rights of all owners and claimants. Therefore, the relief and all terms and provisions set forth above be and are hereby granted and IT IS SO ORDERED.

8. Effective Date: **July 20, 2010.**

DONE AND EXECUTED this ___ day of _____, _____, by a majority of the Virginia Gas and Oil Board.

Chairman, Bradley C. Lambert

DONE AND PERFORMED this ___ day of _____, _____, by Order of this Board.

David E. Asbury, Jr.
Principal Executive To The Staff
Virginia Gas and Oil Board

STATE OF VIRGINIA
COUNTY OF RUSSELL

Acknowledged on this _____ day of _____, 2010, personally before me a notary public in and for the Commonwealth of Virginia, appeared Bradley C. Lambert, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, and appeared David E. Asbury, Jr., 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, 2013

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: CNX Gas Company LLC

DIVISION OF GAS AND OIL
DOCKET VGOB 00-1017-0835-07

RELIEF SOUGHT: MODIFICATION OF
MIDDLE RIDGE I FIELD RULES

AFFECTED UNITS:

EXHIBIT A1: AW141, AW142, AW145, AX134, AZ134, AZ140, AZ141

NOTICE OF HEARING

HEARING DATE: March 16, 2010
PLACE: Russell County Conference Center
Lebanon, Virginia
TIME: 9:00 AM

COMMONWEALTH OF VIRGINIA:

To: Southern Regional Industrial Realty, Inc., Penn Virginia Oil & Gas Corporation, White Wolfe Energy, Inc., Reserve Coal Properties, Coal Creek Coal Company, Kenneth Anders, Clement A. Smith, Carolyn Horton, Robin Hodges, Emma K. Horne, VDOT, Bradley K. Ferrell, et ux, Isiac Franklin Cantrell, Terry Ray Tackett, Don Cox, Billy E. Shelton, II, et ux, Harold C. Cox, Loretta Helton, Mary Sue Gravitt, Louvonne Salyers, Sherry C. Mosley, Joshua T. Absher, Ellery K. Smith, Deborah S. Arms, Gary M. Smith, Larry L. Smith, N.R.L.L. East, LLC, CNX Gas Company, LLC, P.J. Brown Heirs including John R. Mullins Trust (Mullins Childrens Trust), Barrett L. Crawford, Trustee, Oscar W. Thompson, Jr., Betty T. Scott, Suzy J. DeLong Trust, Charles R. Vanhooose Trust, William C. Vanhooose Trust, Ballard W. Cassidy, M.D., Michael C. Ramsey, James P. Ramsey, Jr., Susan Joyce Ramsey Aldrich, Joe B. Ramsey, Sr., William N. Ramsey, Jr., G. Frank Ramsey, E. Lynette Lemaire, Gillespie Co., Waban Page Carter, Johnnie Letterman, Toni Bates McGowan, Eldridge Brown Company, James R. McKenry, Attorney, Grover Ira Brown, Sarah Arlene Brown Buchanan, Charles M. Grove, Jr., Shirley G. Singhas, Amber Frazier, Martha Brown Short, Brenda O. Brown, Roxie V. Brown, Nora Kathryn Damron, Virginia Brown Palmer, Benjamin Patton Brown, Charles Henry Brown, William David Brown, Eugene L. Brown, Jr., Joseph B. Martin, Jr., Morris R. Lee, Glenn C. Taylor, Barbara Taylor Pauley, Buford E. Steele, Kenneth Carter, Tina Carter, David Carter, Jennifer Carter

1. **Applicant and its counsel:** Applicant is CNX Gas Company LLC, 2481 John Nash Blvd., Bluefield, WV 24701. Applicant's Counsel is Mark A. Swartz, 601 Sixth Avenue, Suite 201, St. Albans, WV 25177-1808.

2. **Relief sought:** (1) Modification of the Middle Ridge I Coalbed Methane Gas Field Rule Order VGOB 00-1017-0835, effective October 17, 2000, as amended, to allow more than one coalbed gas well to be drilled within each of the Middle Ridge I Units identified above. (2) An administrative order providing that additional well permits may be issued in the ~~Oakwood~~ Middle Ridge Field after this application is filed and while it is pending.

3. **Proposed provisions of order:** That a second coalbed methane gas well may be drilled in each of the above referenced Middle Ridge I Units if same is located within the drilling windows of said units and is at least 600 feet from any other coalbed methane well; and that production/royalties

3-16-10
VGOB,

from each coalbed methane well drilled in the said Units shall continue to be allocated solely to the owners and claimants of and to the coalbed methane within the Unit in which the well(s) is located.

4. **Legal Authority:** Va. Code Ann. §45.1-361.20 and 4 VAC 25-160-50.
5. **Type of well(s) and field:** Coalbed methane wells and Middle Ridge I Coalbed Gas Field.
6. **Your interest or claim in the unit sought to be created by this Application pertains to coalbed methane gas.**
7. **Formation(s) to be produced and estimates:** All seams below the Jawbone I. See Middle Ridge I Coalbed Gas Field Rules, as amended.
8. **Attestation:** The foregoing notice to the best of my knowledge, information, and belief is true and correct.

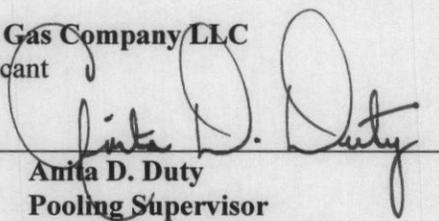
NOTICE IS FURTHER GIVEN that this cause has been set for hearing and the taking of evidence before the Board at 9:00 AM, on **March 16, 2010**, at the Russell County Conference Center, Lebanon, Virginia, and that notice will be published as required by law and the rules of the Board.

NOTICE IS FURTHER GIVEN that you may attend this hearing, with or without an attorney, and offer evidence or state any comments you have. 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, 135 Highland Drive, Lebanon, Virginia 24266, 276/415-9650 or the Applicant at the address shown above.

DATED: 2/12/10

CNX Gas Company LLC
Applicant

By: _____


Anita D. Duty
Pooling Supervisor
2481 John Nash Boulevard
Bluefield, WV 24701