

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: CNX GAS COMPANY LLC

DIVISION OF GAS AND OIL
DOCKET VGOB 00-1017-0835-10

**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 BB117; 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**

Hearing Date and Place: This matter w came for final hearing before the Virginia Gas and Oil board (hereafter "Board") at 9:00 a.m. on **December 18, 2012** at the at the Russell County Conference Center, Lebanon, Virginia.

1.

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:

Unit BB117

Beginning at a point, Virginia State Plane NAD 27 coordinate of N:297196.590 E:994671.670 feet to a point; thence S87°56'35" E 1599.51 feet to a point; thence S02°03'25" W 1599.80 feet to a point; thence N87°56'36" W 1599.50 feet to a point; thence N02°03'24" E 1599.81 feet to a point of beginning, containing approximately **58.74** 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;

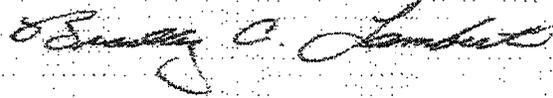
i. Except as herein specifically modified, the proposed Drilling Units more fully described above and in **Exhibit A1** attached hereto shall be developed and produced in compliance with VGOB 00-1017-0835, as amended.

j. This Modification Order shall be effective as of the date of the hearing, to-wit: **December 18, 2012.**

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: **December 18, 2012.**

DONE AND EXECUTED this 31 day of January, 2013 by a majority of the Virginia Gas and Oil Board.



Chairman, Bradley C. Lambert

DONE AND PERFORMED this 31 day of January, 2013 by Order of the Virginia Gas and Oil Board.



Rick Cooper
Principal Executive to the
staff, Virginia Gas and Oil Board

COMMONWEALTH OF VIRGINIA
COUNTY OF RUSSEL)

Acknowledged on this 31st day of Jan, 2013, 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 the Chairman of the Virginia Gas and Oil Board and appeared Rick Cooper, 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 was authorized to do so.



Diane J. Davis, Notary Public
174394

My Commission expires: September 30, 2013



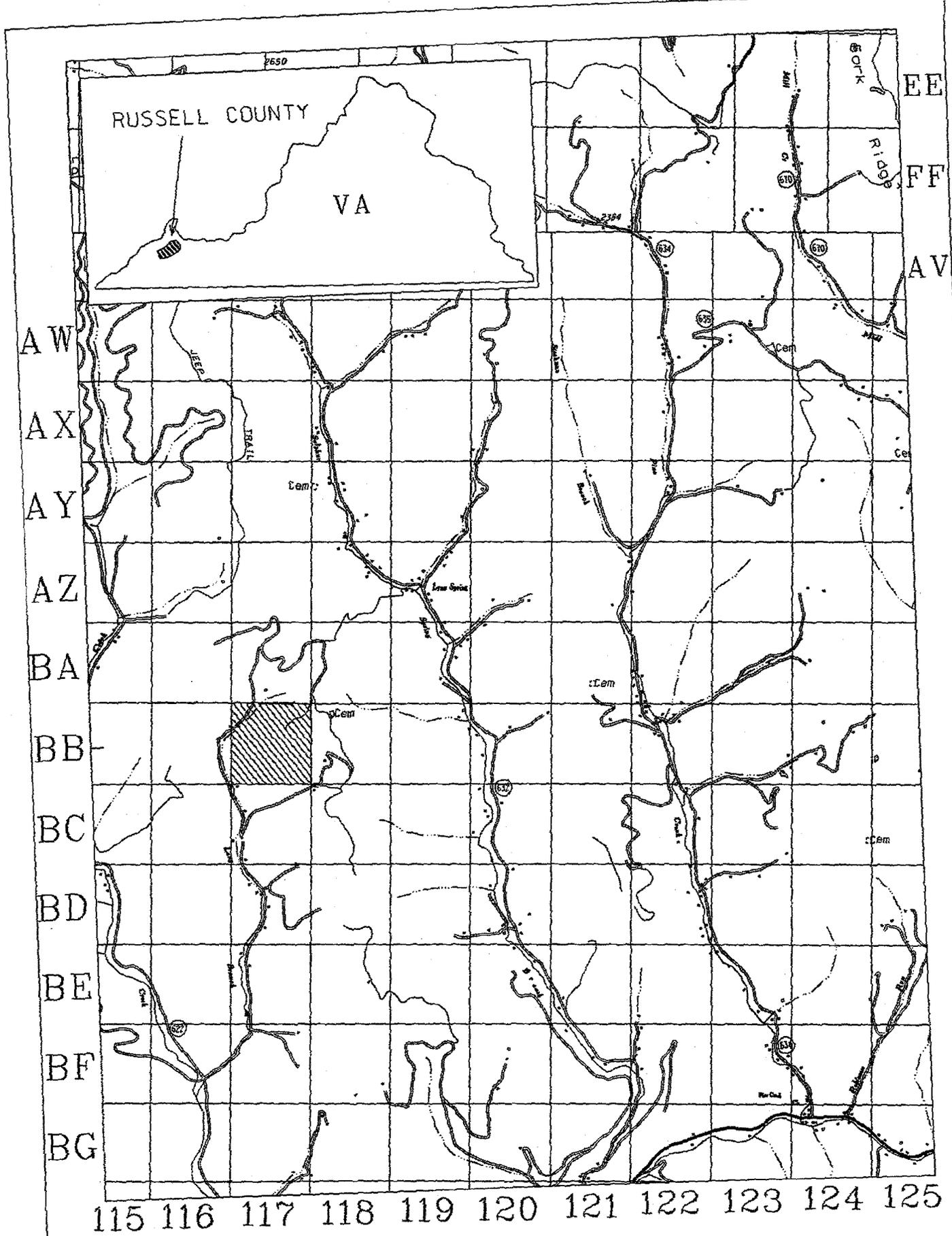


EXHIBIT A1
 MIDDLE RIDGE FIELD RULES MODIFICATION
 VGOB-00-1017-0835-10