

**INSTRUMENT NO. 00000150389 BK 423 PG 331**  
**Recorded in the Clerk's Office**  
**of Dickenson County**

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

PETITIONERS: Charles J. Moore and Audrey N. Moore )

RELIEF SOUGHT: Issuance of an Amended Supplemental )  
Order Amending Prior Orders Affecting )  
Drilling Unit VC-4497 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.  
00-1121-0847 -pi

TAX MAP IDENTIFICATION  
NUMBERS: TAX MAP  
IDENTIFICATION NUMBERS  
FOR ALL PARCELS AFFECTED  
BY THIS ORDER ARE SHOWN  
ON EXHIBIT(S) "E" 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 April 19, 2005 at the Southwest Virginia Higher Education Center on the campus of Virginia Highlands Community College, Abingdon, VA.
2. **Appearances:** Jill Harrison, Esq. of the Penn Stuart Law Firm appeared for the Unit Operator; Gerald L. Gray, Esq. of the Gerald Gray Law Firm appeared for the Petitioners; 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 January 29, 2001, 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 January 31, 1001 in Deed Book 361 at page 557. 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 April 26, 2001 that was filed with the Dickenson County Circuit Court Clerk's Office on May 1, 2001 in Deed Book 364 at page 115 as Instrument No. 010000758 ("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/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 Charles J. Moore and Audrey N. Moore or their predecessors in title in a 7.25 acres tract known as VGOB Tract 4 in Subject Drilling Unit VC-4497 were in conflict and became subject to the escrow requirements of the Pooling Order.
- 4.3. The Petitioners' Petition for Release of Escrowed Funds mailed to the Board by way of the Division of Gas and Oil on March 16, 2005, and considered by the Board on April 19, 2005, a copy of which is attached to and made a part hereof, and sworn testimony attested that Charles J. Moore and Audrey N. Moore have entered into a settlement agreement and that by terms of that agreement escrow regarding the conflicting claims of said parties is no longer required. By sworn testimony, the Unit Operator notified the Board that VGOB Tract 4 of the Subject Unit and the interests of Charles J. Moore and Audrey N. Moore are subject to the settlement agreement.
- 4.4. The Petitioners gave notice to Pine Mountain Oil and Gas, Inc. and the Unit Operator of the petition referred to in Paragraph 4.3 above. Notice indicated that the Board would consider: (1) entering an Order to release the escrow funds attributable to Tract 4 and the interests of Charles J. Moore and Audrey N. Moore being held by the Escrow Agent; and (2) delete the requirement that the Unit Operator place future royalties attributable to the above-named parties in Tract 4 in the Escrow Account.
- 4.5. Sworn testimony presented to and accepted by the Board at its April 19, 2005 hearing confirmed the execution of the settlement agreement referred to in Paragraph 4.3 above. The agreement specifies that escrow regarding the conflicting claims of said parties is no longer required.
- 4.6. 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) Charles J. Moore and Audrey N. Moore are the owners of 100% of oil and gas estate underlying VGOB Tract 4 of the subject Drilling Unit.
- (2) Pine Mountain Oil and Gas, Inc. has transferred to and relinquished to the Petitioners 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 pursuant to the Pooling Order.
- (3) The net interests attributable and to be disbursed to Charles J. Moore and Audrey N. Moore in Tract 4 are shown in Table 1, below.

<b>TABLE-1</b>		
<b>Tract # 2 Owner Names</b>	<b>Net acres in Unit</b>	<b>% Interest in VGOB 00-1121-0847 balance</b>
Charles J. Moore and Audrey N. Moore 242 Recipe Road Nora, Virginia 24272	7.25	<b>22.3329%</b>

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 escrowed funds attributable to VGOB Tract 4 to Charles J. Moore and Audrey N. Moore according to the percentages shown in Table 1, above, and mail attributable proceeds to the addresses 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 Charles J. Moore and Audrey N. Moore in Tract 4 be deposited by the Unit Operator into the Escrow Account for Subject Drilling Unit 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:**

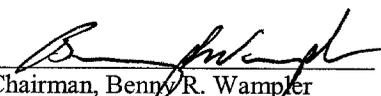
Therefore, the requested relief and all terms and provisions set forth above in Paragraph 6 above be and hereby are granted and IT IS SO ORDERED.

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 8<sup>th</sup> day of March, 2006, by a majority of the Virginia Gas and Oil Board.

  
Chairman, Benny R. Wampler

DONE AND PERFORMED this 13<sup>th</sup> day of March, 2006, by an Order of this Board.

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

COMMONWEALTH OF VIRGINIA )  
COUNTY OF WISE )

Acknowledged on this 9<sup>th</sup> day of March 2006, 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 Public

My Commission expires: 7-31-06

COMMONWEALTH OF VIRGINIA )  
COUNTY OF WASHINGTON )

Acknowledged on this 13<sup>th</sup> day of March 2006, personally before me a notary public in and for the Commonwealth of Virginia, 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 he executed the same and was authorized to do so.

Diane J. Davis  
Diane J. Davis  
Notary Public

My commission expires: 9/30/09

VIRGINIA GAS AND OIL BOARD

**PETITIONERS:**

CHARLES J. MOORE and AUDREY N. MOORE

**PETITIONERS' COUNSEL:**

GERALD L. GRAY

Gerald Gray Law Firm - A Professional Corporation

P. O. Box 929

Clintwood, Virginia 24228

**RESPONDENTS:**

PINE MOUNTAIN OIL AND GAS, INC.

c/o JILL HARRISON

Penn Stuart Law Firm

P. O. Box 2288

Abingdon, Virginia 24212-2288

and

EQUITABLE PRODUCTION COMPANY

c/o JILL HARRISON

Penn Stuart Law Firm

P. O. Box 2288

Abingdon, Virginia 24212-2288

RE: CBM WELL VC-4497

**PETITION FOR RELEASE OF ESCROWED FUNDS**

ISSUES

1. The Virginia Gas and Oil Board entered into the following forced pooling Order that affects this well: Docket Number VGOB00-11/21/0847

Petitioners: Charles J. Moore, et al.  
*Petitioner for Release of Escrowed Funds /Page 2*

2. The Petitioners and Pine Mountain Oil and Gas, Inc., were contestants to the ownership of the CBM, and royalties have been paid into an Escrow Account.

3. Pine Mountain Oil and Gas, Inc., has released its claim to the CBM relative to Well Number VC-4497, as shown on the Agreement, attached as Exhibit "A" and incorporated into this Petition.

RELIEF REQUESTED

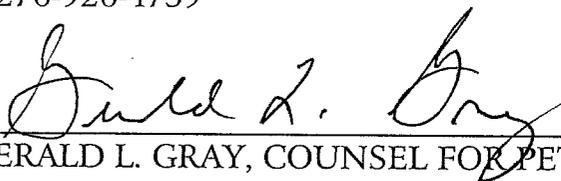
Petitioners request that the Escrow funds be released to them and that the royalty payments be made directly to Petitioners.

CHARLES J. MOORE and AUDREY N. MOORE

-By Counsel-

GERALD GRAY LAW FIRM  
A PROFESSIONAL CORPORATION  
P. O. BOX 929  
CLINTWOOD, VIRGINIA 24228  
276-926-4607  
FAX: 276-926-4739

BY:



GERALD L. GRAY, COUNSEL FOR PETITIONERS

**AGREEMENT**

THIS AGREEMENT is made and effective this 19 day of November, 2004, by and between **CHARLES J. MOORE and AUDREY N. MOORE** (hereinafter referred to as the "Moore's"), and **PINE MOUNTAIN OIL AND GAS, INC.** (hereinafter referred to as "Pine Mountain"), and provides as follows:

**WHEREAS**, the Moores are the owners of the surface estate and the oil, gas, and gas reserves underlying a certain parcel or parcels of real property, containing 35.4 acres, more or less, in Dickenson County, Virginia (the "Subject Property"), which they acquired by deed dated April 20, 1989, of record in Deed Book 257, Page 632, in the Circuit Court Clerk's Office for Dickenson County, Virginia; and

**WHEREAS**, the Subject Property is the subject of, and described in, a lease (the "Lease") between the Moores and Equitable Production Company (hereinafter referred to as "Equitable"), a West Virginia corporation authorized to do business in Virginia, who is the successor in interest to Equitable Resources Energy Company, the original lessee under the Lease, dated November 19, 1996, of record in Deed Book 324, Page 391, in the Circuit Court Clerk's Office for Dickenson County, Virginia. This Lease conveyed to Equitable the right to produce and market oil and gas, including coalbed methane, from the Subject Property; and

**WHEREAS**, Pine Mountain, a Virginia corporation, has a claim to the coalbed methane underlying the Subject Property derived from the coal estate, which claim was acquired by deed dated April 1, 1986, of record in Deed Book 235, Page 92, in the Circuit Court Clerk's Office for Dickenson County, Virginia, and by deed dated July 15, 2003, of record in Deed Book 390, Page 92, in the Circuit Court Clerk's Office for Dickenson County, Virginia; and

Bristol: 81431-1

methane wells drilled on or encompassing any portion of the Subject Property.

**WHEREAS**, Equitable drilled and currently operates Well No. VC-3892 and Well No. VC-4497 whose units encompass portions of the Subject Property. Coalbed methane has been or may be developed and produced from these wells that encompass the Subject Property. Equitable has exercised its right to pool and unitize the Subject Property as granted in the Lease. Royalties attributable to the Subject Property are deposited in the Virginia and Gas and Oil Board's escrow account pending the determination of the ownership of the coalbed methane underlying the Subject Property; and

**WHEREAS**, the parties hereto desire to agree upon the division and apportionment of all funds now held in escrow or suspense derived from the past production of coalbed methane on the Subject Property ("Escrowed Royalties"); and

**NOW, THEREFORE**, in consideration of the premises, which are incorporated herein as a part of this Agreement and not as mere recitals, and other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, the parties hereto intending to be legally bound, agree as follows:

1. Pine Mountain hereby transfers to and relinquishes to the Moores any and all right, title and interest that it may have to all royalties and accrued interest held in the Virginia Gas and Oil Board's escrow account pursuant to the force pooling proceedings for Well No. VC-3892 and Well No. VC-4497 whose units encompass the Subject Property, and any and all right, title and interest to all future royalties that may be produced from said wells or from additional coalbed methane wells drilled on or encompassing any portion of the Subject Property.

2. The following force pooling orders that have been entered by the Virginia Gas and Oil Board affect the Subject Property:

- a. Docket No. VGOB 99-02/16/0711; and
- b. Docket No. VGOB 00-11/21/0847.

To the extent that these force pooling orders affect the payment of the Escrowed Royalties as set forth in this Agreement, the terms of this Agreement shall supersede those orders to the extent allowable by law.

3. As used in this Agreement, the term (i) "coalbed methane" shall mean occluded natural gas produced from coalbeds and rock strata associated therewith as defined by Section 45.1-361.1 of the Code of Virginia, as amended; and (ii) "Escrowed Royalties" shall mean the accrued, suspended, and escrowed royalty payments related to the Subject Property now or hereafter held and deposited in escrow pursuant to any order of the Virginia Gas and Oil Board.

4. Neither party makes any representation nor warranty to the other except that each party represents and warrants to the other that the execution hereof is duly authorized.

5. Upon the execution of this Agreement by all parties hereto, the Moores will diligently pursue such administrative processes as may be required to secure the release of the Escrowed Royalties, paying for their own expenses incurred thereby.

6. This Agreement states the entire contract between the parties hereto and no representation or promise, oral or written, on behalf of any party shall be binding unless contained herein.

7. This Agreement shall be binding upon the parties hereto, and their successors and/or assigns.

8. This Agreement shall be governed by the laws of the Commonwealth of Virginia.

9. If any of the provisions of this Agreement shall be declared illegal, invalid or unenforceable, such illegality, invalidity or unenforceability shall not invalidate the entire Agreement and the Agreement shall be construed as if it did not contain the particular provision or provisions held to be illegal, invalid or unenforceable, and all the rights of the parties shall remain in force.

10. This Agreement shall be executed in duplicate copies, each of which shall be treated as an original.

**IN WITNESS WHEREOF**, Charles J. Moore and Audrey N. Moore and Pine Mountain Oil and Gas, Inc. have caused this Agreement to be executed by their proper officers or representatives thereunto duly authorized, as of the effective date hereof.

x Charles J. Moore (SEAL)  
Charles J. Moore

x Audrey N. Moore (SEAL)  
Audrey N. Moore

**PINE MOUNTAIN OIL AND GAS, INC.**

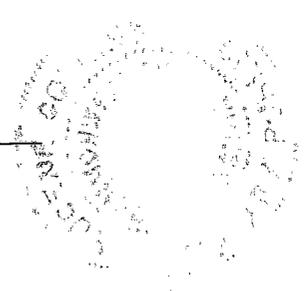
Richard M. Brillhart (SEAL)  
By: Richard M. Brillhart  
Its: President

STATE OF VIRGINIA

CITY/COUNTY OF Dickenson

The foregoing instrument was acknowledged before me this 19<sup>th</sup> day of November, 2004, by Charles J. Moore.

Eugene Collins  
Notary Public



My commission expires: July 31, 2007

STATE OF VIRGINIA

CITY/COUNTY OF Dickenson

The foregoing instrument was acknowledged before me this 19<sup>th</sup> day of November, 2004, by Audrey N. Moore.

Eugene Collins  
Notary Public



My commission expires: July 31, 2007

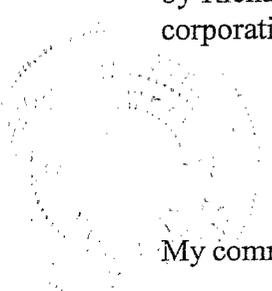
STATE OF VIRGINIA

CITY/COUNTY OF Washington

The foregoing instrument was acknowledged before me this 15<sup>th</sup> day of <sup>December</sup> ~~November~~, 2004, by Richard M. Brillhart, who is <sup>Vice</sup> ~~President~~ of Pine Mountain Oil and Gas, Inc., on behalf of said corporation.

Richard M. Brillhart  
Notary Public

My commission expires: 4/30/08



VIRGINIA GAS AND OIL BOARD

PETITIONERS:

CHARLES J. MOORE and AUDREY N. MOORE

PETITIONERS' COUNSEL:

GERALD L. GRAY

Gerald Gray Law Firm - A Professional Corporation

P. O. Box 929

Clintwood, Virginia 24228

RESPONDENTS:

PINE MOUNTAIN OIL AND GAS, INC.

c/o JILL HARRISON

Penn Stuart Law Firm

P. O. Box 2288

Abingdon, Virginia 24212-2288

and

EQUITABLE PRODUCTION COMPANY

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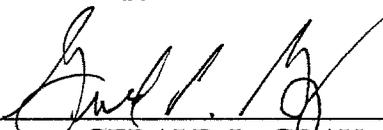
RE: CBM WELL VC-4497

AFFIDAVIT

GERALD L. GRAY, being duly sworn, states as follows:

1. The facts set forth in the Petition are true and correct.
2. I certify that I have mailed a copy of the Petition and Notice of Hearing to the Respondents.

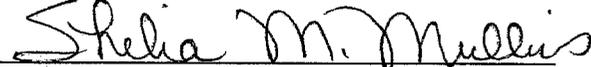
March 16, 2005

  
\_\_\_\_\_  
GERALD L. GRAY

Affidavit/Page 2

DICKENSON COUNTY, VIRGINIA:

Sworn to and subscribed by GERALD L. GRAY before me on March 16, 2005.

  
NOTARY PUBLIC

My Commission expires on: January 31, 2006

704497

Check No.	Check Date	Gross Amt Escrowed to Bank	Payee	Payee Name	Gross RI	Moore's Net RI	Noore's Net
648542	3/18/04	\$22,246.79	64091	FIRST UNION NATIONAL BANK	0.06901250	0.01541250	\$4,968.36
652475	4/6/04	\$ 915.22	64091	FIRST UNION NATIONAL BANK	0.06901250	0.01541250	\$ 204.40
659385	5/7/04	\$ 863.41	64091	FIRST UNION NATIONAL BANK	0.06901250	0.01541250	\$ 192.82
666001	6/3/04	\$ 836.20	64091	FIRST UNION NATIONAL BANK	0.06901250	0.01541250	\$ 186.75
673076	6/6/04	\$ 989.29	64091	FIRST UNION NATIONAL BANK	0.06901250	0.01541250	\$ 220.94
679826	8/6/04	\$ 1,054.76	64091	FIRST UNION NATIONAL BANK	0.06901250	0.01541250	\$ 235.56
687000	9/2/04	\$ 990.71	64091	FIRST UNION NATIONAL BANK	0.06901250	0.01541250	\$ 221.25
694390	10/5/04	\$ 901.27	64091	FIRST UNION NATIONAL BANK	0.06901250	0.01541250	\$ 201.28
701679	11/3/04	\$ 793.77	64091	FIRST UNION NATIONAL BANK	0.06901250	0.01541250	\$ 177.27
708677	12/2/04	\$ 939.08	64091	FIRST UNION NATIONAL BANK	0.06901250	0.01541250	\$ 209.72
722486	1/6/05	\$ 1,188.09	64091	FIRST UNION NATIONAL BANK	0.06901250	0.01541250	\$ 265.34
729303	2/7/05	\$ 1,037.94	64091	FIRST UNION NATIONAL BANK	0.06901250	0.01541250	\$ 231.80
737257	3/4/05	\$ 897.03	64091	FIRST UNION NATIONAL BANK	0.06901250	0.01541250	\$ 200.33
744383	4/5/05	\$ 903.25	64091	FIRST UNION NATIONAL BANK	0.06901250	0.01541250	\$ 201.72
		<b>\$34,556.81</b>					<b>\$7,717.54</b>

**EXHIBIT "E"**  
**CONFLICTING CLAIMANTS REQUIRING ESCROW**  
**VC-4497**  
**VGOB 00-1121-0847**

TRACT	OWNER	INTEREST WITHIN UNIT	GROSS ACREAGE WITHIN UNIT
1	<u>Gas Estate</u> G. W. Smith, Jr. Heirs Address unknown Not Assessed  <u>Coal Estate</u> Pine Mountain Oil and Gas P. O. Box 2136 Abingdon, VA 24212	42.88%	25.2

INSTRUMENT #060000329  
RECORDED IN THE CLERK'S OFFICE OF  
DICKENSON ON  
MARCH 14, 2006 AT 02:23PM  
JOE TATE, CLERK

RECORDED BY: JBM

VIRGINIA: IN THE OFFICE OF THE CLERK OF THE CIRCUIT COURT OF DICKENSON COUNTY, March 14, 2006 This deed was this day presented in said office, and upon the certificate of acknowledgment thereto annexed, admitted to record at 2:23 o'clock P M, after payment of \$      tax imposed by Sec. 58.1-802.

Original returned this date to: Diane Davis

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