

VIRGINIA:

BOOK 545 PAGE 64

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: BUCHANAN PRODUCTION COMPANY ) VIRGINIA GAS  
) AND OIL BOARD  
)

RELIEF SOUGHT: AUTHORIZATION TO COMBINE THE ) DOCKET NO.  
ALLOWABLE PRODUCTION ) 01-0918-0927  
ALLOCATED TO THE R-16 AND THE )  
R-19 COALBED METHANE GAS )  
DRILLING UNITS, BOTH OF WHICH )  
UNITS ARE IDENTIFIED IN THE )  
OAKWOOD FIELD RULES GRID AND )  
ARE LOCATED IN THE BEATRICE )  
COALBED METHANE SEALED GOB )  
GAS FIELD SHOWN ON THE )  
PARTIAL MINE MAP ANNEXED )  
HERETO AS EXHIBIT A1 (herein )  
"Beatrice Field") )  
)

LEGAL DESCRIPTIONS: (herein "Subject Lands"):  
1. DRILLING UNITS R-16 AND UNIT R-19 )  
LOCATED IN THE VANSANT QUADRANGLE, SOUTH )  
GRUNDY/GARDEN DISTRICT, BUCHANAN COUNTY, )  
VA. AS DEPICTED ON THE PLATS THEREOF ATTACHED )  
HERETO AS EXHIBITS A AND B RESPECTIVELY; )  
(herein sometimes Collectively referred to as "Combined Units") )

**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 (hereinafter "Board") at 9:00 A.M. on September 18, 2001, at the Southwest Virginia Higher Education Center on the campus of Virginia Highlands Community College, Abingdon, Virginia.
2. Appearances: Mark Swartz of the firm Swartz and Stump, L.C. appeared in behalf of the Applicant; and Sandra B. Riggs, Assistant Attorney General, was present to advise the Board.

3. Jurisdiction and Notice: Pursuant to Va. Code §§ 45.1-361.1 et. seq., and more particularly Va. Code § 45.1-361.20, 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 an update of its search of the reasonably available sources to determine the identity and whereabouts of all gas or oil owners, coal owners, mineral owners and/or potential owners, i.e., persons identified by Applicant as having ("Owner") or claiming ("Claimant") the rights to coalbed methane gas in all coal seams below the Tiller (herein "Subject Formation") in Subject Drilling Units underlying and comprised of Subject Lands; and (2) has given notice to all such parties, herein sometimes "person(s)" whether referring to individuals, corporations, partnerships, associations, companies, businesses, trusts, joint ventures or other legal entities) who are those persons entitled by Va. Code §§ 45.1-361.19 and 45.1-361.22 to notice of the application filed herein. Further, the Board has caused notice of this hearing to be published as required by Va. Code § 45.1-361.19.B. Whereupon, the board hereby finds that the notices given herein satisfy all statutory requirements, Board rule requirements and the minimum standards of state due process.
4. Amendments: None.
5. Dismissals: None.
6. Relief Requested: Applicant seeks this order of the Board to: (1) combine the allowable production of coalbed methane gas from the Beatrice Field heretofore allocated by the Board to Drilling Unit R-16 with the allowable production of coalbed methane gas from the Beatrice Field heretofore allocated by the Board to Drilling Unit R-19 (herein the R-16 and R-19 Beatrice Sealed Gob Field Drilling Units are referred to as "Combined Units"); (2) to establish a combined allowable production of 700 MMCF of sealed gob gas for the Combined Units (herein "Combined Allowable Production"); (3) to provide that all of the Combined Allowable Production is to be produced from CBM Well R16-07 (Permit No. 3518) and CBM Well R16-18 (Permit No. 3515) (herein collectively "Wells"); (4) to authorize the Unit Operator to allocate the first 336 MMCF of Combined Allowable Production produced from the Wells to the R-16 Drilling Unit, and thereafter, the remaining 350 MMCF of Combined Allowable Production produced from the Wells after January 26, 1995 to the R-19 Drilling Unit.
7. Relief Granted: The Applicants requested relief in this cause, as more particularly set forth and described in Paragraph 6 above, be and hereby is granted:
8. Special Findings:
  - a. The Oakwood I Field Rules established by OGCB Order 3-90, as modified, ("Oakwood I Field Rules") contemplate and make provisions for the production of coalbed methane gas from frac wells drilled in advance of mining. The

Oakwood II Field Rules established by the Board's Order in VGOB Docket No. 91-1119-0162, as modified, ("Oakwood II Field Rules) contemplate and make provisions for the production of coalbed methane gas produced from short holes, active gob wells and increased density wells during mining. The Beatrice Field Rules established by the Board's Order in VGOB 96-0618-0545 ("Beatrice Field Rules") contemplate and make provisions for the production of coalbed methane gas from the sealed gob areas of the Beatrice Mine ("Beatrice Field").

- b. To the extent that any drilling unit lies within the Beatrice Field, production of coalbed methane gas allocable to such portions of it are subject to the Beatrice Field Rules, rather than the Oakwood I Field Rules or the Oakwood II Field Rules.
- c. The Beatrice Field Rules establish the allowable production allocable to each 80-acre drilling unit contained within the boundaries of said field to be 350 MMCF, and further provide that in the event a unit within the Beatrice Field contains less than 80-acres, then such unit shall be allocated an allowable production determined by multiplying the number of acres in the partial unit times 350 MMCF and dividing the result by eighty (80).
- d. The Beatrice Field Rules further provides that a Unit Operator may produce in excess of the established allowable production for a drilling unit only if, upon application to the Board, the Board authorizes the combining of two or more contiguous and/or noncontiguous drilling units within the Beatrice Field into a single drilling unit for purposes of calculating their combined allowable production and assigns the allowable production of each of the combined units to said well, provided, however, that the unit operator demonstrates: (1) that the requested relief is necessary to avoid the drilling of unnecessary wells, (2) the applicant has acquired through voluntary agreements or by Board action pursuant to Va. Code § 45.1-361.21 and 45.1-361.22 the right to conduct operation on all of the acreage within the units to be combined; and that the proposal is not an unreasonable or arbitrary exercise of applicant's right to explore for or produce Gas.
- e. With respect to Applicant's application to: (1) combine the allowable production allocable by the Beatrice Field Rules to Unit R-16 and Unit R-19; and (2) permit the Unit Operator to produce from CBM Wells R16-07 and R16-18 a combined allowable production of 700 MMCF:
  - (1) Unit R-16 and R-19 are each 80-acre Oakwood Coalbed Methane Field units that lie entirely within the Beatrice Field.
  - (2) Units R-19 and R-19 are being operated by the Unit Operator as voluntary drilling units; therefore, there are no prior Board orders have been entered pursuant to Va. Code §§ 45.1-361.21 and 45.1-361.22 that pooled the coalbed methane gas interests within said units. As shown on the Plat of the R-19

Drilling Unit attached hereto as Exhibit B, no wells have been drilled in Unit R-19.

(3) As shown on the Plat of the R-16 Drilling Unit attached hereto as Exhibit A, two wells, i.e., Well CBM-R16-07 and CBM-R16-18, have been drilled in said unit.

f. By virtue of voluntary lease agreements between the Applicant and all the Owners and Claimants in and to coalbed methane gas within the Combined Units, Applicant represents that it has acquired the right to produce coalbed methane from all tracts that lie within both the Combined Units.

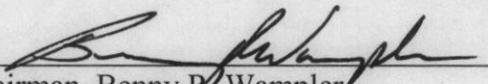
g. The relief requested will avoid the drilling of additional unnecessary wells and the construction and maintenance of additional surface facilities to gather the gas from such additional wells, thereby totally avoiding additional unnecessary surface disturbance.

h. The requested relief is not an unreasonable or arbitrary exercise of Applicant's rights.

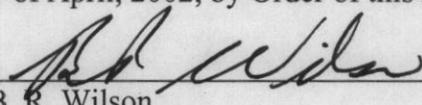
9. Conclusion: Therefore, the requested relief and all terms and provisions set forth above be and hereby are granted and IT IS SO ORDERED.

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

DONE AND EXECUTED this 15<sup>th</sup> day of April, 2002, by a majority of the Virginia Gas and Oil Board.

  
Chairman, Benny B. Wampler

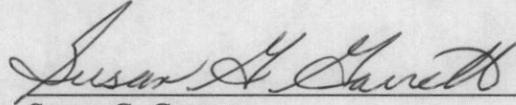
DONE AND PERFORMED this 15<sup>th</sup> day of April, 2002, by Order of this Board.

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

STATE OF VIRGINIA )  
COUNTY OF WISE )

BOOK 545 PAGE 68

Acknowledged on this 15<sup>th</sup> day of April, 2002, personally before me a notary public in and for the Commonwealth of Virginia, appeared Benny 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.

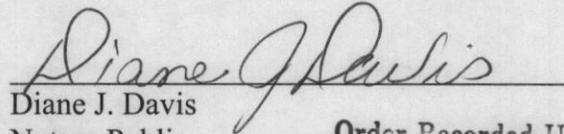


Susan G. Garrett  
Notary Public

My commission expires July 31, 2002

STATE OF VIRGINIA )  
COUNTY OF WASHINGTON )

Acknowledged on this 18<sup>th</sup> day of April, 2002, 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  
Notary Public

Order Recorded Under Code of  
Virginia Section 45.1-361.26

My Commission expires September 30, 2005

PROPERTY LINES SHOWN WERE TAKEN FROM MAPS PROVIDED BY CNX LAND RESOURCES, Inc. AND WERE NOT SURVEYED.

BOOK 545 PAGE 69

N 335,633.38  
E 974,358.41

80 ACRE UNIT

N 335,700.30  
E 972,467.72



1A

1B

1C

LEFT FORK LITTLE

CBM-R16-7

LEFT FORK LITTLE GARDEN

CBM-R16A-18

N 333,761.57  
E 974,262.56

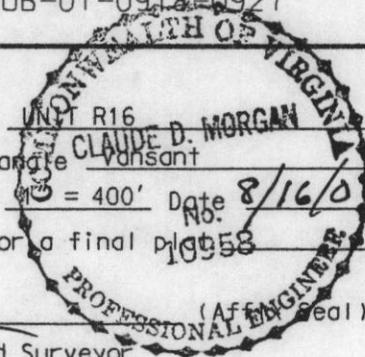
N 333,831.97  
E 972,397.75

EXHIBIT A  
OAKWOOD FIELD UNIT R-16  
INCREASE ALLOWABLES  
VGOB-01-0918-0927

Company CONSOL Energy Inc. Well Name and Number UNIT R16  
Tract No. \_\_\_\_\_ Elevation \_\_\_\_\_ Quadrangle Vansant  
County Buchanan District South Grundy Scale: 1" = 400' Date 8/16/08  
This plat is a new plat X ; an updated plat \_\_\_\_\_ ; or a final plat 1958

Form DGD-GO-7  
Rev. 9/91

Licensed Professional Engineer or Licensed Land Surveyor



CONSOL INC.  
UNIT R-16  
Tract Identifications

1. Yukon Pocahontas Coal Company, et al. - TR. 128 - Coal, Oil & Gas  
Island Creek Coal Company/Consolidation Coal Company -  
Coal Below Tiller Seam Leased  
Jewell Smokeless Coal Corp. - Tiller & Above Coal Leased  
Buchanan Production Company - CBM Leased  
80 acres                      100 %
- 1A. Garden Realty Corporation - Surface
- 1B. Unknown Surface Owner
- 1C. Elmer Bond, et ux. - Surface

PROPERTY LINES SHOWN WERE TAKEN FROM MAPS PROVIDED BY CNX LAND RESOURCES, Inc. AND WERE NOT SURVEYED.

BOOK 545 PAGE 71

N 335,418.90  
E 979,928.90

N 335,489.23  
E 978,064.08

80 ACRE UNIT



1

17-1952 YUKON  
BU 12  
(ABANDONED)

Mavisdale

N 333,620.69  
E 977,994.48

N 333,550.29  
E 979,859.61

EXHIBIT A  
OAKWOOD FIELD UNIT R-19  
INCREASE ALLOWABLES  
VGOB-01-0918-0927

Company CONSOL Energy Inc. Well Name and Number UNIT R-19  
Tract No. \_\_\_\_\_ Elevation \_\_\_\_\_ Quadrangle Vansant  
County Buchanan District South Grundy/Garden Scale: " = 400' Date 8/16/01  
This plat is a new plat X ; an updated plat \_\_\_\_\_ ; or a final plat \_\_\_\_\_

Form DGO-GO-7  
Rev. 9/91

*Charles D. Morcam*  
Licensed Professional Engineer or Licensed Land Surveyor

(Affix Seal)





EXHIBIT

- BEATRICE 96-0618-0545
- VGOB 99-1117-0765
- VGOB 99-1117-0765
- VGOB 99-1117-0765

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 acknowledgment annexed, admitted to record this 5th day of April, 20 02 at 7:16 P. M.  
 Deed Book No. 545 and Page No. 67.  
 Returned to: Alan Davis TESTE: James M. Bevins, Jr., Clerk  
 TESTE: Shirley S. Miller, Deputy Clerk