

V I R G I N I A :

ENTERED

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: EVAN ENERGY COMPANY, LC)
) VIRGINIA GAS
) AND OIL BOARD

RELIEF SOUGHT: EXCEPTION TO STATEWIDE SPACING)
LIMITATIONS PRESCRIBED BY VA. CODE) DOCKET NO.
§ 45.1-361.17(a)(2) FOR WELL) 02-0716-1045
NO. 767)
))
LEGAL DESCRIPTION:)
))
DRILLING UNIT SERVED BY WELL NUMBERED)
767 TO BE DRILLED IN THE LOCATION)
DEPICTED ON EXHIBIT A HERETO,)
LITTLE BLACK MOUNTAIN LAND CO./MURPHY LAND)
CO. FEE TRACT)
PENNINGTON GAP QUADRANGLE,)
ROCKY STATION MAGISTERIAL DISTRICT,)
LEE COUNTY, VIRGINIA)
(the "Subject Lands" are more particularly)
described on Exhibit "A" attached hereto)
and made a part hereof))

REPORT OF THE BOARD

FINDINGS AND ORDER

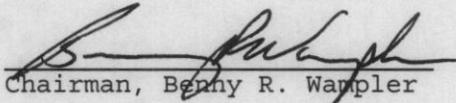
1. Hearing Date and Place: This matter came on for hearing before the Virginia Gas and Oil Board (hereafter "Board") at 9:00 a.m. on **August 20, 2002**, Southwest Virginia Higher Education Center on the campus of Virginia Highlands Community College, Abingdon, Virginia.
2. Appearances: James E. Kaiser, Esquire of the firm Wilhoit & Kaiser appeared for the Applicant and Sandra B. Riggs and Sharon Pigeon, Assistant Attorneys General, were present to advise the Board.
3. Jurisdiction and Notice: Pursuant to Va. Code § 45.1-361.1 et seq., the Board finds that it has jurisdiction over the subject matter. Based upon the evidence presented by 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 having an interest in Subject Drilling Unit underlying and comprised of Subject Lands; (2) has represented to the Board that it has given notice to those parties (hereafter sometimes "person(s)" whether referring to individuals, corporations, partnerships, associations, companies, businesses, trusts, joint ventures or other legal entities) entitled by Va. Code § 45.1-361.19 to notice of this application; and (3) that the persons set forth in Exhibit B hereto have been identified by Applicant as said owners. 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.

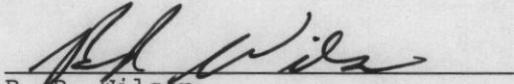
4. Amendments: None.
5. Dismissals: None.
6. Relief Requested: Applicant requests (1) an exception to the statewide spacing limitations set forth in Va. Code § 45.1-361.17 for Well No. 767.
7. Relief Granted: The requested relief in this cause be and hereby is granted. The Board hereby grants Applicant consent to permit and drill proposed Well No. 767 2,269 feet from existing DLC Well No. 1 at the location depicted on the Plat attached hereto;
8. Special Findings: The Board specifically and specially finds:
 - 8.1 Applicant claims the right to explore for, develop and produce Gas from Well No. 767 as well as DLC Well 1;
 - 8.2 Applicant is an operator in the Commonwealth of Virginia and has satisfied the Board's requirements for operations in Virginia;
 - 8.3 The proposed Well No. 767 is located on a surface, coal, oil and gas tract consisting of 102.42 acres known as **Little Black Mountain Land Company and Murphy Land Company Tract No. 30-207**;
 - 8.4 The Applicant testified it has the right to operate and develop the reciprocal well No. 767, and that the granting of the application filed herein will not impact the correlative rights of any person
 - 8.5 Applicant states an exception to the well spacing requirements of Va. Code § 45.1-361.17 for Well No. 767 is necessary to efficiently drain a portion of the common sources of supply (reservoir) underlying Subject Drilling Unit, and the Board's granting of the requested location exception is in the best interest of preventing the waste of 400 million cubic feet of Conventional Gas underlying Subject Drilling Unit, and to generally effect the purposes of the Virginia Gas and Oil Act;
 - 8.6 Applicant proposes the drilling of Well No. No. 767 to a depth of 5,950 feet on the Subject Drilling Unit at the location depicted in Exhibit A to develop the pool of Gas in Subject Formations;
 - 8.7 Applicant proposes to complete and operate Well No. 767 for the purpose of producing Conventional Gas from all the Mississippian and Devonian Age formations including, but not limited to Big Lime, Weir, Brown Shale, and Coniferous from surface to total depth drilled 5,950 feet.
9. Mailing Of Order And Filing Of Affidavit: Applicant or its Attorney shall file an affidavit with the Secretary of the Board within sixty (60) days after the date of receipt of this Order stating that a true and correct copy of said Order was mailed within seven (7) days from the date of receipt of this Order to each person pooled by this Order whose address is known.

10. Availability of Unit Records: The Director shall provide all persons not subject to a lease with reasonable access to all records for Subject Drilling Unit, which are submitted by the Unit Operator to said Director and/or his Inspector(s).
11. Conclusion: Therefore, the requested relief and all terms and provisions set forth above be and hereby are granted and IT IS SO ORDERED.
12. Appeals: Appeals of this Order are governed by the provisions of Va. Code Ann. § 45.1-361.9 which provides that any order or decision of the Board may be appealed to the appropriate circuit court. Such appeals must be taken in the manner prescribed in the Administrative Process Act, Va. Code Ann. § 9-6.14:1 et seq. and Rule 2A of the Rules of the Virginia Supreme Court.
13. Effective Date: This Order shall be effective on the date of its execution.

DONE AND EXECUTED this 1st day of October, 2002, by a majority of the Virginia Gas and Oil Board.

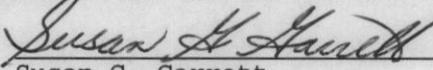

 Chairman, Benny R. Wampler

DONE AND PERFORMED this 23rd day of October, 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)

Acknowledged on this 1st day of October, 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, 2006

STATE OF VIRGINIA)
COUNTY OF WASHINGTON)

EXHIBIT "B"

767

LOCATION EXCEPTION

Acknowledged on this _____ day of October, 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.

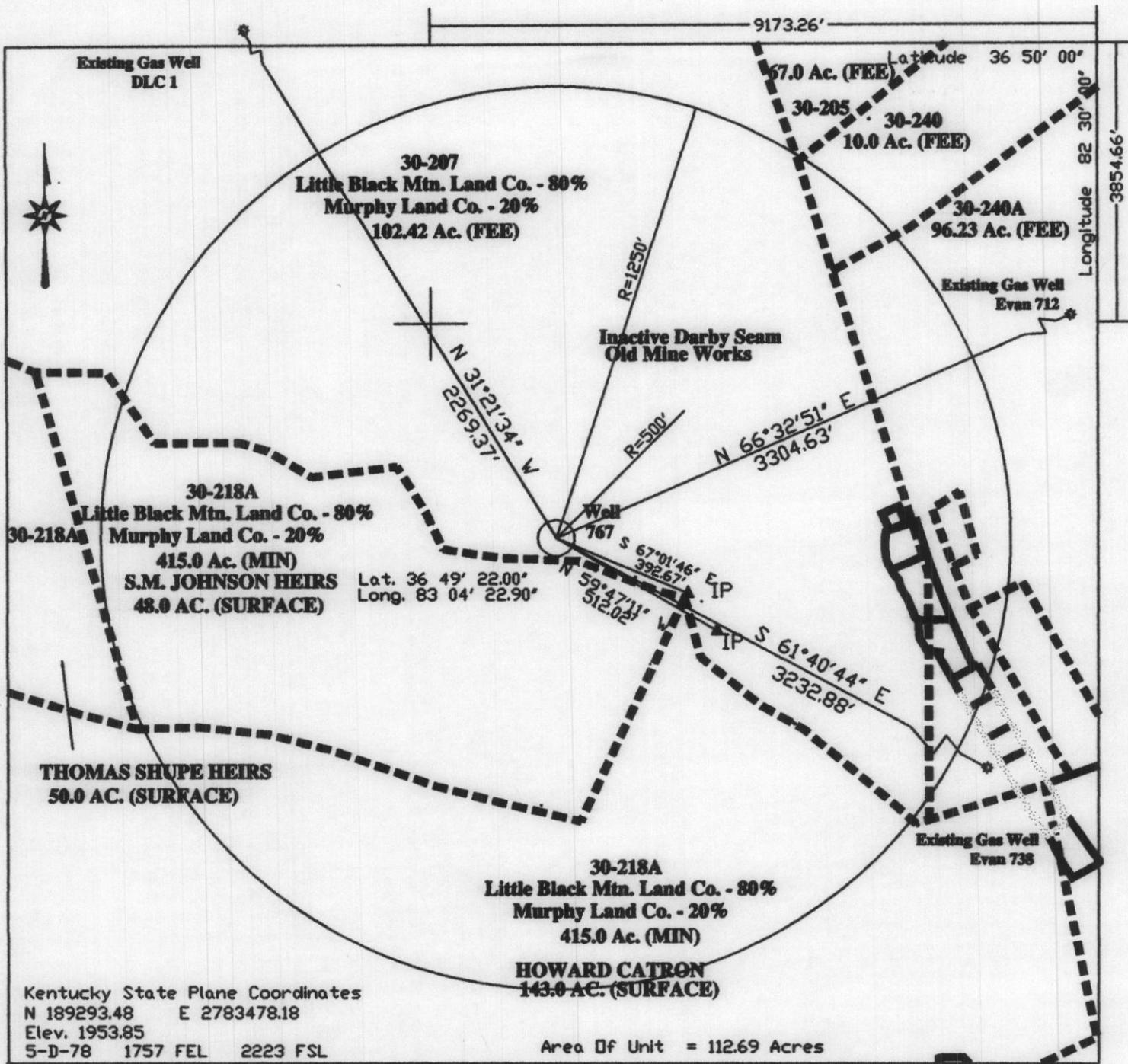
Durbin Land Company, Inc.
Route 1, Box 140
St. Charles, VA 24282
Attn: Paul Mullins, Land Manager

Diane J. Davis
Notary Public

My commission expires September 30, 2005

EXHIBIT "B"
767
LOCATION EXCEPTION

Dulcimer Land Company, Inc.
Route 1, Box 140
St. Charles, VA 24282
Attn: Paul Mullins, Land Manager



WELL LOCATION PLAT

COMPANY: Evan Energy Co., LC WELL NAME OR NUMBER 767

TRACT NUMBER 30-207 Little Black Mtn. Land Co. & Murphy Land Co. QUADRANGLE Pennington Gap

DISTRICT Rocky Station

WELL COORDINATES (VIRGINIA STATE PLANE): N 210609.10 E 661940.62

ELVATION 1953.85' METHOD USED TO DETERMINE ELEVATION:

Trigometric leveling from Powell Mountain Coal Company Survey Station Mon 27

COUNTY Lee SCALE- 1" = 400' DATE: June 10, 2002

THIS PLAT IS A NEW PLAT X ; AN UPDATED PLAT _____ ;

OR A FINAL LOCATION PLAT _____

W. R. PALMER

LICENSE NO. 1630

Denotes the location of a well on United States topographic Maps, scale 1 to 24,000 latitude and longitude lines being represented by border lines as shown. (optional)

W.R. Palmer

Licensed Professional Engineer or Licensed Land Surveyor(Affix Seal)

