

V I R G I N I A :

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: Columbia Natural Resources LLC)
) VIRGINIA GAS
) AND OIL BOARD
RELIEF SOUGHT: **EXCEPTION TO STATEWIDE SPACING**)
 LIMITATINS PRESCRIBED BY VA. CODE) DOCKET NO.
 § 45.1-361.17(a)(2) FOR **WELL**) 02/12/17-1106
 #825070 (PPN-41))
)
LEGAL DESCRIPTION:)
)
 DRILLING UNIT SERVED BY WELL NUMBERED)
 825070 (PPN-41) TO BE DRILLED IN THE LOCATION)
 DEPICTED ON EXHIBIT A HERETO,)
 Buchanan Energy Co. Tract No. 96)
 80.71 Acres)
 Wharncliffe QUADRANGLE,)
 Knox MAGISTERIAL DISTRICT,)
 Buchanan 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 December 17, 2002 Southwest Virginia Higher Education Center on the campus of Virginia Highlands Community College, Abingdon, Virginia.
2. Appearances: James E. Kaiser of Wilhoit & Kaiser appeared for the Applicant 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., 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 owners of Gas interests underlying Subject Drilling Unit, including those who have not heretofore leased, sold or voluntarily agreed with the Applicant

to pool their Gas interests in Subject Drilling Unit. 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. 825070 (PPN-41).
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. 825070 (PPN-41) 2356.51 feet from existing Well No. 24728 at the locations depicted on the Plat attached hereto;
8. Special Findings: The Board specifically and specially finds:
 - 8.1. Applicant is Columbia Natural Resources, LLC a Delaware Limited Liability Corporation. Applicant is duly authorized and qualified to transact business in the Commonwealth of Virginia;
 - 8.2. Applicant Columbia Natural Resources, LLC is an operator in the Commonwealth of Virginia and has satisfied the Board's requirements for operations in Virginia;
 - 8.3. Applicant claims ownership of Conventional Gas leases on 100 percent of Subject Drilling Unit and the right to explore for, develop and produce Gas from same, i.e., Well No. 825070 (PPN-41), as well as from reciprocal wells, i.e., Well No. 24728.
 - 8.4. The proposed Well 825070 (PPN-41) is located on a surface, coal, oil and gas tract consisting of 80.71 acres known as Buchanan Energy Company Tract 96, and the surface, coal, gas and oil owner has consented to the proposed location for Well 825070 (PPN-41) that is depicted on the Plat attached hereto as Exhibit A;
 - 8.5. The Applicant testified it has the right to operate and develop the reciprocal Well No.'s 24728 and that the granting of the application filed herein will not impact the correlative rights of any person;
 - 8.6. An exception to the well spacing requirements of Va. Code § 45.1-361.17 for Well 825070 (PPN-41) 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;

- 8.7. Applicant proposes the drilling of Well No. 825070 (PPN-41) to a depth of 5,530 feet on the Subject Drilling Unit at the location depicted in Exhibit A to produce all the Mississippian and Devonian age formations including, but not limited to, The Maxon Sand, Big Lime, Weir, Berea, Gordon Sands and the Lower Huron section of the Devonian Shale, from surface to total depth drilled of 5,530 feet (Subject Formations");
- 8.8. Applicant proposes to drill Well 825070 (PPN-41) a distance of 143.49 feet closer to Gas Well 24728 than the 2500 feet mandated by statewide spacing;
- 8.9 Applicant proposes to complete and operate Well 825070 (PPN-41) for the purpose of producing Conventional Gas;
- 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 20th day of July, 2004 by a majority of the Virginia Gas and Oil Board.

[Signature]
Chairman, Benny R. Wampler

DONE AND PERFORMED this 20th day of July, 2004 by Order of this Board.

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

STATE OF VIRGINIA)
COUNTY OF ~~WISE~~ Washington

Acknowledged on this 20th day of July, 2004 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.

[Signature]
Notary Public

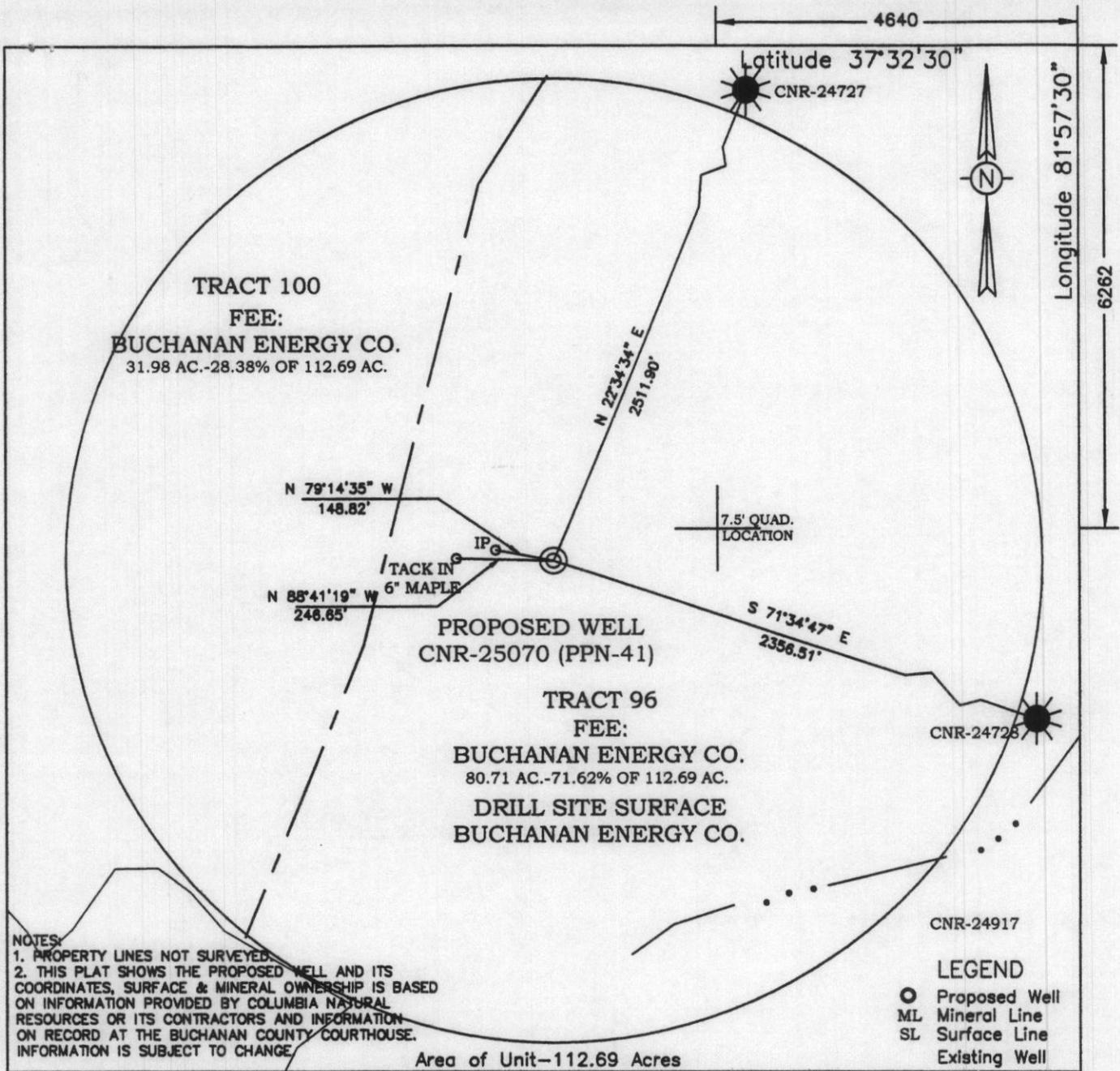
My commission expires: 9/30/05

STATE OF VIRGINIA)
COUNTY OF WASHINGTON)

Acknowledged on this 20th day of July, 2004 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.

[Signature]
Notary Public

My commission expires: 9/30/05



WELL LOCATION PLAT

Company Columbia Natural Resources Well Name or Number CNR-25070 (PPN-41)
 Tract No. BUCHANAN ENERGY CO. TRACT 96 Quadrangle WHARNCLIFFE
 District KNOX
 Well Coordinates (Virginia State Plane) N 452,212.60 E 992,585.10
 Elevation: 1483.79 Method Used to Determine Elevation: Trig. Levels from GPS derived elevation.
 County Buchanan Scale: 1" = 400' Date 10-15-02

This Plat is a new plat X; an updated plat _____; or a final location _____
 + Denotes the location of a well on United States topographic maps, scale 1" = 24,000, latitude and longitude lines being represented by border lines as shown.

Richard L. Bailey 10-23-02
 Licensed Professional; Engineer or Licensed Land Surveyor

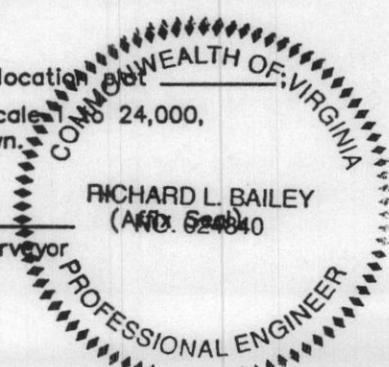


EXHIBIT "B"
Well No. 825070 (PPN-41)
LOCATION EXCEPTION

Buchanan Energy Company
C/o John McNew
P.O. Box 1560
Grundy, VA 24614

Virginia Energy Company
C/o John McNew
148 Bristol East Road
Bristol, VA 24202