

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: Karen T. Taylor and Don E. Taylor )

RELIEF SOUGHT: Issuance of an Amended Supplemental )  
Order Amending Prior Orders Affecting )  
Drilling Unit VC-504492 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.  
03-1021-1200-01

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 June 21, 2005 at the Southwest Virginia Higher Education Center on the campus of Virginia Highlands Community College, Abingdon, VA.
2. **Appearances:** Karen T. Taylor appeared for the Petitioners *pro se*; 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 December 15, 2003, 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 December 18, 2003 in Deed Book 394 at page 605. 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 March 10, 2004 that was filed with the Dickenson County Circuit Court Clerk's Office on March 22, 2004 in Deed Book 397 at page 521 ("Supplemental Order"). The Pooling Order was amended and supplemented by the Board's Supplemental Order Regarding Elections executed on August 3, 2004 that was filed with the Clerk's Office on August 20, 2004 in Deed Book 403 at page 548 (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 Karen T. Taylor and Don E. Taylor or their predecessors in title in a 6.26-acre tract known as VGOB Tract 4 in Subject Drilling Unit VC-504492 were in conflict and became subject to the escrow requirements of the Pooling Order.
- 4.3. The Petitioners' Miscellaneous Petition for the release of escrowed funds mailed to the Board by way of the Division of Gas and Oil on April 11, 2005, and considered by the Board on June 21, 2005, a copy of which is attached to and made a part hereof, and sworn testimony attested that Pine Mountain Oil and Gas, Inc. released its claim to the royalty proceeds in the subject Drilling Unit to Karen T. Taylor and Don E. Taylor and therefore the escrow regarding the conflicting claims of said parties was no longer required. By sworn testimony, the Unit Operator notified the Board that Pine Mountain Oil and Gas, Inc. had notified it of its relinquished claim regarding the Escrow Account for VGOB Tract 4 of the Subject Unit.
- 4.4. Petitioner notified Pine Mountain Oil and Gas and the Unit Operator that its Miscellaneous Petition requested that the Board consider: (1) entering an Order to release the escrow funds attributable to Tract 4 and the interests of Karen E. Taylor and Don E. Taylor being held by the Escrow Agent; and (2) delete the requirement that the Unit Operator place future royalties attributable to the above-named party in Tract 4 in the Escrow Account.
- 4.5. Sworn testimony presented to and accepted by the Board at its June 21, 2005 hearing confirmed the release of claim by Pine Mountain Oil and Gas, Inc. referred to in Paragraph 4.3 above.
- 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) Karen T. Taylor and Don E. Taylor are the owners of 100% of the oil and gas estate underlying 1.252 net acres of 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 attributable to the Petitioners pursuant to the Pooling Order.
- (3) The net interests attributable and to be disbursed to Karen T. Taylor and Don E. Taylor in Tract 4 are shown in Table 1, below.

TABLE-1		
Tract # 2 <sup>4</sup> Owner Names	Net acres in Unit	% Interest in VGOB 03-1021-1200 balance
Karen T. Taylor and Don E. Taylor 653 Redwood Lane Mt. Carmel, TN 37645	1.2520	10.3225%

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 Karen T. Taylor and Don E. Taylor according to the percentages shown in Table 1, above, and mail attributable proceeds to the address 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 Karen T. Taylor and Don E. Taylor in Tract 4 be deposited by the Unit Operator into the Escrow Account, 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 2<sup>nd</sup> day of February, 2006, by a majority of the Virginia Gas and Oil Board.

  
 Chairman, Benny R. Hampler

DONE AND PERFORMED this 16<sup>th</sup> day of February, 2006, by an Order of this Board.

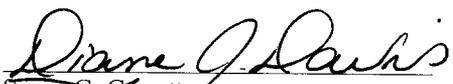


B. R. Wilson  
Principal Executive to the Staff  
Virginia Gas and Oil Board

COMMONWEALTH OF VIRGINIA )  
COUNTY OF ~~WISE~~ )

Washington

Acknowledged on this 16<sup>th</sup> day of February, 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  
Notary Public

My Commission expires: 9/30/09

COMMONWEALTH OF VIRGINIA )  
COUNTY OF WASHINGTON )

Acknowledged on this 16<sup>th</sup> day of February, 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  
Notary Public

My commission expires: 9/30/09

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANTS:

Karen T. + Don E. Taylor - wife + husbandDOCKET NUMBER: VGOB 03-10/21-1200

RELIEF SOUGHT:

Supplemental Order for Disbursement of Escrowed  
Funds on behalf of Applicant

LEGAL DESCRIPTIONS:

TRACT 4

 Drilling Unit Number VC-504492 created by Board  
Order Dated 12-15-03, VGOB 03-10/21 in  
the ~~Kennedy~~ Ervin District, Dickenson County, Virginia.

HEARING DATE:

5-17-2005

## MISCELLANEOUS PETITION

1. Party: Applicants herein are Karen T. Taylor, (hereinafter  
"Plaintiffs), whose address is 653 Redwood Lane, Mount Carmel, TN 37645  
Phone - 423-246-1469 - Home 423-571-0324 - cell
2. Facts: I would like to receive my escrowed royalties.

- a. Equitable was designated as the Operator and Applicants interests were Pooled in the  
VC-504492 Unit by Order of the Virginia Gas and Oil Board (hereinafter "Board") executed on  
12-15-03, pursuant to Docket No. VGOB 03-10/21-1200 and recorded in the Circuit  
Court Clerk's Office of Dickenson County, Virginia on 12-18-03, Deed Book  
394, Page 605 (hereinafter "Order").
- b. The order and Supplemental Order required the Escrow Agent named and appointed therein  
to establish an interest-bearing escrow account for funds pertaining to the above-referenced  
Unit and subject to escrow pursuant to the terms of the Order.
- c. The Order and Supplemental Order further required the Operator to deposit bonus and royalty  
payments with the Escrow agent which could not be made because the person(s) entitled  
hereto could not be made certain due to conflicting claims of ownership.
- d. Pine Mt. Oil & Gas was a conflicting claimant with the above-listed Plaintiffs with  
regard to Tract 4, as created by Board Order as VGOB 03-10/21-1200 is  
the applicable Tract.
- e. To resolve this conflict, a Letter dated JAN. 31, 05 signed by Jeffery A. Bynum  
an officer of Pine Mountain Oil and Gas, Inc. is attached hereto and incorporated herein as  
Exhibit "A".
- f. The amounts deposited with the Escrow Agent regarding the Unit need to be determined and  
distributed accordingly.

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- g. Any escrow amount, not yet deposited into the escrow account, held by Operator should also be determined, and distributed to Applicants/Plaintiffs herein, accordingly.
- h. Applicants/Plaintiffs herein do hereby request that the Board enter amended supplemental order for the Unit directing the Escrow Agent and the Operator to disburse to the aforesaid Plaintiff the funds attributable to the previous conflicting claim with Pine Mountain, held in escrow for the VGOB number as listed above.
  1. The Applicants certify that the matters set forth in the application, to the best of their knowledge, information, and belief, are true and correct and that the form and content of the Application and conform to the requirements of relevant Board regulations and orders.
  2. Legal Authority: Va. Code Ann. §45.1-361.1 et seq., 4 VAC 25-160, and such other regulations and Board orders promulgated pursuant to law.
  3. Relief Sought: Applicants request that the Board issue amended supplement order amending all prior orders affecting the Unit which amended supplement order will provide as follows:
    - a. Determining the amount of funds attributable to the Applicants/Plaintiffs herein.
    - b. Directing the Escrow Agent to determine the amount of funds attributable to Applicants/Plaintiffs herein, provide an accounting hereof, and disburse the funds on deposit with the Escrow Agent, including any applicable interest, pertaining to the interest in the Unit shown above for distribution.
    - c. Directing the Operator to determine the amount of funds attributable to the Applicants/Plaintiffs herein, provide an accounting thereof, and disburse the units in its hands, if any, subject to escrow but not then on deposit with the Escrow Agent, including any applicable interest, at the time of the Supplemental Order requested therein is executed, attributable to the Applicants/Plaintiffs herein for distribution.
    - d. Directing the Operator to disburse the funds, including any applicable interest, and provide an accounting thereof, which it may receive after the date of the execution of the amended supplemental order requested in the Application, if any, attributable to the Applicants/Plaintiff herein, and to discontinue the payment of such funds into Escrow.

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- e. Granting such other relief as is merited by the evidence and is just and equitable whether or not such relief has been specifically requested herein.

Dated this 11 day of April, 2005.

By: Karen T. Taylor  
Petitioner  
Address: 653 Redwood Lane  
Mount Carmel  
TN 37645

**CERTIFICATE**

The foregoing application to the best of my knowledge, information and belief is true and correct. Notice was given pursuant to Va. Code Ann. §45.1-361.19.

Karen T. Taylor  
Petitioner

PINE MOUNTAIN  
Oil and Gas, Inc.

P.O. Box 2136  
129 Preston Street  
Abingdon, Virginia 24212

BK 42276 410



January 31, 2005

Ms. Melanie Freeman  
Equitable Production Company  
1710 Pennsylvania Avenue  
Charleston, WV 25302

Re: Escrowed Royalties – Well No. VC-504492  
J.B. Tiller Heirs 76.71 ac. Tract

Dear Ms. Freeman:

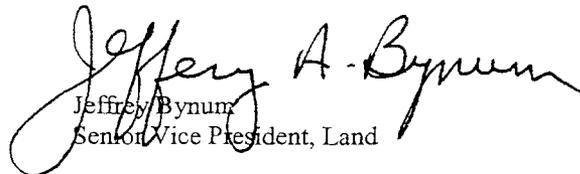
It is our understanding that you are holding the royalty proceeds on the J.B. Tiller Heirs 76.71 acre portion of the above-mentioned well unit in escrow due to the conflict in ownership issues regarding coalbed methane. We have received the enclosed letter from Ms. Karen T. Taylor, requesting a royalty determination regarding the same. Ms. Taylor indicates that she is one of the oil and gas owners on this portion of the above-mentioned well unit and has forwarded us a copy of John Bernard Tiller's list of heirs (attached); however, we do not have any official information as to the current ownership of the oil and gas on this tract.

We have reviewed, with our attorney, the original severance deed which encompasses this portion of the above-mentioned well unit. Given the close similarity of the language in the severance deed at issue and the severance deeds analyzed by the Virginia Supreme Court and decided March 5, 2004, it appears that, at this point in time, Pine Mountain would not be successful in a claim for the coalbed methane on this tract. Therefore, Pine Mountain waives its claim to any escrowed royalties which may be claimed by the J. B. Tiller Heirs on the 76.71 acre portion of this well unit and would ask that the appropriate oil and gas owner(s) receive their disbursement of the royalty proceeds from this portion of this well unit. Please note that this release is effective for the above-mentioned well unit only and does not include any prior or subsequent wells drilled on this property.

By copy of this letter, we are notifying Ms. Taylor of our action on this matter. If you have any questions or comments, please do not hesitate to contact us by phone at (276) 628-5496 or by e-mail at [dlouthian@gl-energy.com](mailto:dlouthian@gl-energy.com).

Sincerely,

PINE MOUNTAIN OIL & GAS, INC.

  
Jeffrey Bynum  
Senior Vice President, Land

/dtl

Enclosures

cc: Ms. Karen T. Taylor

**Well 504492**

Check #	Check Date	Check Amt
702180	11/03/04	\$145.72
<i>of the above RI owner is entitled to 9/2004 prod only</i>		
		\$ 141.25
709261	12/02/04	\$ 159.83
722991	01/06/05	\$ 206.55
729884	02/07/05	\$ 201.96
737787	03/04/05	\$ 182.04
744958	04/05/05	\$ 157.84
752064	05/06/05	\$ 163.32
759100	06/07/05	\$ 184.44
		<u>\$ 1,397.23</u>

Well 504492

0.02579306 is being escrowed to the bank

0.00266250 of that amount belongs to Karen T. Taylor and Don Taylor

Their interest in the escrowed funds is calculated as follows:

$$0.00266250/0.02579306=0.10322544 \times \$1,397.23 =\$144.23$$

***Karen T. Taylor and Don Taylor were issued checks for the production periods 04/2004 – through 08/2004 before we realized our mistake and began escrowing the funds to the bank.***

Check #687035 9/02/04 \$57.82 Check Cleared 9/10/2004

Check #716447 12/21/04 \$19.33 Check Cleared 12/30/2004

**EXHIBIT "E"**  
**VC-4492**

Conflicting Claimants and Unknown Owners Subject to Escrow  
Gas Estate Only

<u>TRACT</u>	<u>LESSOR</u>	<u>LEASE STATUS</u>	<u>INTEREST WITHIN UNIT</u>	<u>GROSS ACREAGE IN UNIT</u>
20972 <sup>1</sup>	Lowell Barton Unknown Address Unknown	Unleased	0.49032%	0.2883
4	Neil C. Tiller & Martha Tiller, H/W RT 1, Box 446 Lebanon, VA 24266	Leased-EPC 245755.01	2.130%	1.2520
22029	Travis B. Tiller, single Box 59 Coeburn, VA. 24230	Leased-EPC 245755.02	2.130%	1.2520
#22029	Gary H. Tiller & Daisy Tiller, H/W 210 Spring St. #H2-Franklin Heights Blountville, TN 37617	Leased-EPC 245755.03	2.130%	1.2520
22029	Nadine Presley, widow C/O Lynn Presley HC4, Box 93 Davenport, VA 24239	Unleased	2.130%	1.2520

CBM Estate Only

20972

\* 22029

1	Lowell Barton Unknown Address Unknown	Unleased	0.49032%	0.2883
4	Pine Mountain Oil & Gas, Inc ATTN: Richard Brillhart P O Box 5100 Lebanon, VA 24266	Leased-EPC 241460.01 T2-172	10.650%	6.26

INSTRUMENT #060000205  
 RECORDED IN THE CLERK'S OFFICE OF  
 DICKENSON DN  
 FEBRUARY 7, 2006 AT 02:48PM  
 JOE TATE, CLERK

RECORDED BY: JEM

VIRGINIA: IN THE OFFICE OF THE CLERK OF THE CIRCUIT COURT OF DICKENSON COUNTY, Feb. 7, 2006. This deed was this day presented in said office, and upon the certificate of acknowledgment thereto annexed, admitted to record at 2:48 o'clock PM, 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

CBM Estate Only

20978

\* 22029

1	Lowell Barton Unknown Address Unknown	Unleased	0.49032%	0.2883
4	Pine Mountain Oil & Gas, Inc ATTN: Richard Brillhart P O Box 5100 Lebanon, VA 24268	Leased-EPC 241460.01 T2-172	10.650%	6.26

INSTRUMENT RECORDED  
 RECORDED IN THE CLERK'S OFFICE OF  
 DICKENSON CO  
 FEBRUARY 7, 2000 AT 2:48 PM  
 JOE TATE, CLERK  
 RECORDED BY: [Signature]

VIRGINIA: IN THE OFFICE OF THE CLERK OF THE CIRCUIT COURT OF DICKENSON COUNTY, Feb. 7, 2000. This deed was this day presented in said office, and upon the certificate of acknowledgment thereto annexed, admitted to record at 2:48 o'clock PM, 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