

2645

Instrument prepared by: BK 1-099PG0142

Order recorded under:

VIRGINIA GAS AND OIL BOARD

CODE OF VIRGINIA § 45.1-361.26

VIRGINIA: BEFORE THE GAS AND OIL BOARD

APPLICANTS: CNX Gas Company on behalf of Betty J. Short and Russell Bryan Rakes in Circuit Court Order and Case No. CL11-206 in Tract 3B of the Subject Drilling Unit.

DOCKET NO. 03-1021-1203-01

RELIEF SOUGHT:

Issuance: A Supplemental Order for Disbursement of Escrowed Funds
Action: Amending Prior Orders Affecting Drilling Unit EE-39, Tract 3B (Referenced herein as "the Subject Drilling Unit")

Location: Tazewell County, Virginia

Action Details:

- (1) To provide a calculation of funds, Unit Operator has deposited into the Escrow Account for Drilling Unit EE-39 by Tract Subaccounts;
(2) To provide each applicant, in simple terms, a complete month over month Royalty Accounting of unit production, costs, taxes and proceeds, depicting variables used in the calculation of royalty payments to the unit escrow account.
(3) To disburse unit funds to the Applicants, in accordance with their Unit Ownership Interests relative to those funds deposited by the Unit Operator into Subject Drilling Unit's Escrow Subaccount for VGOB Tract(s) identified in Table 1.
(4) TAX MAP IDENTIFICATION NUMBERS: Tax map identification numbers for all parcels affected by this order are shown on Exhibit marked "Tract Identifications" which is attached.

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") at 9:00 a.m. on June 14, 2011, at the Southwest Virginia Higher Education Center on the campus of Virginia Highlands Community College, Abingdon, VA.
2. Appearances: Mark A. Swartz of Swartz Law Offices 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., 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 tracts in question or any undivided interest therein.

4. Prior Proceedings:

- 4.1 (a) On October 21, 2003, the Board heard and on December 15, 2003 executed its order pooling 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 SS 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 Tazewell County on December 22, 2003, Deed Book 08989 pages 0166 to 0181, Instrument 030007182. The Supplemental Order was executed and recorded in with the Clerk of the Court, Tazewell County on October 19, 2004, Deed Book 0924 pages 0871 to 0879, Instrument 040005702.
- 4.2 To the extent claims to the Gas were in conflict, pursuant to Va. Code S 45.1-361-22 payments attributable to said conflicting claims were ordered deposited by the Unit Operator into the escrow account established by the Pooling Orders (herein "Escrow Account"). According to the Pooling Orders and testimony, the coal estate ownership interests of Coal Mountain Mining Company LLP and the gas ownership of Betty J Short and Charles G Rakes in Tract 3B, in the Subject Drilling Unit were in conflict and became subject to the escrow requirements of the Pooling Order.
- 4.3 The Unit Operator's Miscellaneous Petition regarding Tract 3B, a copy of which is attached to and made a part hereof, states under oath that Betty J. Short and Russell Bryan Rakes are entitled to 100% of the royalties according to the Order which was entered on March 11, 2011, Case No: CL11-206, adjudicating the ownership of coalbed methane gas in Tract 3B. Escrow accounts regarding these individual conflicting claims detailed herein are required because others remain in escrow for these tracts.
- 4.4 The Unit Operator gave notice to Coal Mountain Mining Company LLP and the Applicants that the Board would consider its disbursement authorization at its hearing on June 14, 2011 and consider whether to: (1) amend the Pooling Order to provide for the disbursement a portion of funds on deposit in the Escrow Account attributable to Tract 3B identified in the attached miscellaneous petition (2) delete the requirement that the Unit Operator place future royalties attributable to said Tract 3B relative to the interests of Applicants identified in the miscellaneous petition in the Escrow Account, and (3) continue the escrow account under this docket number because there are no other parties in different Tracts under this order subject to continued payments in the escrow.
- 4.5 The Unit Operator filed the attached accounting for Subject Drilling Unit's Escrow Account with the Board ("Accounting").

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 tracts 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 Applicant has certified and represented to the Board that:

(1) The Circuit Court of Tazewell County Order, Case No: CL11-206, has adjudicated the ownership of 100% of the coalbed methane gas in VGOB Tract 3B to Betty J. Short and Russell Bryan Rakes in the Subject Drilling Unit EE-39 ;

(2) Net interests attributable and to be disbursed to Applicants are shown in Table 1,

VGOB Approved Disbursement
VGOB-03-1021-1203-01 Disbursement
EE-39

		Frac Interest	Acreage Interest Disbursed	Split Agreement	Escrowed Acres Total	% of Escrowed Funds
Table 1						
Disbursement Table						
Item No	Tract					
	Totals				2.710000	
Coal Mountain Mining Company LLP		0.320000				
	3B Coal Mountain Mining Company LLP			0.0%	-	0.0000%
	3B Betty J. Short					
1	3B Betty J. Short	3/4	0.24000	100.0%	0.2400	8.8561%
2	3B Russell Bryan Rakes	1/4	0.08000	100.0%	0.0800	2.9520%

6. Relief Granted:

For the reasons set forth in Paragraph 4 and 5 above, and based upon the Accounting and Table 1 above, the Escrow Agent is ordered to, within 10 days of receipt of this executed order to disburse funds for the unit and applicants detailed in Table 1 above.

Exhibit E to the Pooling Order, showing owners subject to escrow, is deleted and replaced with the Exhibit E attached to this order. Further, the Supplemental Order filed in this cause is hereby modified to delete the requirement that payments attributable to the conflicting coalbed methane gas ownership interests of those applicants indicated in Table 1 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:

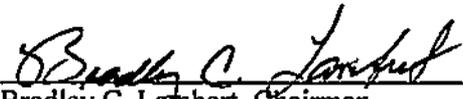
Therefore, the requested relief and all terms and provisions set forth above in Paragraph 6 above be and hereby are granted and IT IS SO ORDERED.

8. Appeals:

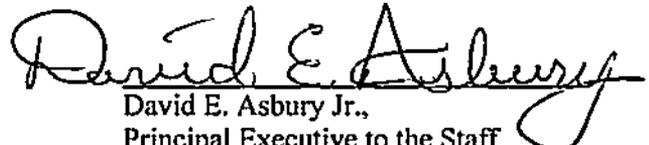
Appeals of this Order are governed by the provisions of Va. Code § 45.1-361.9 which provides that any order or decision of the Board may be appealed to the appropriate circuit court and that whenever a coal owner, coal operator, gas owner, gas operator, or operator of a gas storage field certificated 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 14 day of June, 2011, by a majority of the Virginia Gas and Oil Board.


Bradley C. Lambert, Chairman
Virginia Gas and Oil Board

DONE AND PERFORMED this 14 day of June, 2011, by an Order of this Board.


David E. Asbury Jr.,
Principal Executive to the Staff
Virginia Gas and Oil Board

COMMONWEALTH OF VIRGINIA)
COUNTY OF RUSSELL

Acknowledged on this 14th day of June, 2011, personally before me a notary public in and for the Commonwealth of Virginia, appeared Bradley C. Lambert, being duly sworn did depose and say that he is the Chairman of the Virginia Gas and Oil Board and David E. Asbury Jr., 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.

My commission expires: 09/_30_/2013__




Diane J. Davis
Notary Public #174394

PETITIONER: CNX Gas Company LLC

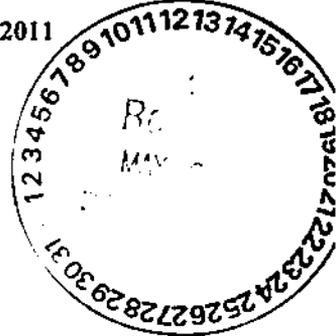
DIVISION OF GAS AND OIL
DOCKET NO: VGOB 03-1021-1203-01

RELIEF SOUGHT: (1) DISBURSEMENT FROM
ESCROW REGARDING TRACT(S) 3B
(2) AND AUTHORIZATION FOR DIRECT
PAYMENT OF ROYALTIES

HEARING DATE: June 14, 2011

DRILLING UNIT: EE-39

TAZEWELL COUNTY, VIRGINIA



MISCELLANEOUS PETITION

1. Petitioner and its counsel: Petitioner is CNX Gas Company LLC, 2481 John Nash Boulevard, Bluefield, West Virginia 24701, 304/323-6500. Petitioner's counsel is Mark A. Swartz, SWARTZ LAW OFFICES, PLLC., 601 Sixth Avenue, Suite 201, P.O. Box 1808, St. Albans, WV 25177-1808.

2. Relief sought: (1) the disbursement of escrowed funds heretofore deposited with the Board's Escrow Agent(s) attributable to Tract(s) 3B as depicted upon the annexed Exhibit A-1; and (2) authorization to begin paying royalties directly to the prevailing plaintiffs; Betty J. Short and Russell Bryan Rakes

3. Legal Authority: Va. Code Ann. § 45.1-361.1 et seq., 4 VAC 25-160-140., and relevant Virginia Gas and Oil Board Orders ("Board") heretofore promulgated pursuant to law.

4. Type of well(s): Coalbed methane.

5. Factual basis for relief requested Betty J. Short and Russell Bryan Rakes are entitled to 100% of the royalties according to the Order which was entered on March 11, 2011, Case No:CL11-206, adjudicating the ownership of coalbed methane gas. This order allows the Applicant and Designated Operator to pay royalties directly to the prevailing plaintiffs identified in Exhibit EE annexed hereto and the annexed Exhibit A-1, further, specifies how said royalties are to be paid.

6. Attestation: The foregoing Petition to the best of my knowledge, information, and belief is true and correct.

CNX GAS COMPANY LLC
BY ITS PROFESSIONAL MANAGER
CNX GAS COMPANY LLC, PETITIONER

By: _____

Anita D. Duty
Pooling Supervisor
CNX Land Resources, Inc.
2481 John Nash Blvd.
Bluefield, West Virginia 24701

BR 1099PG0147

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

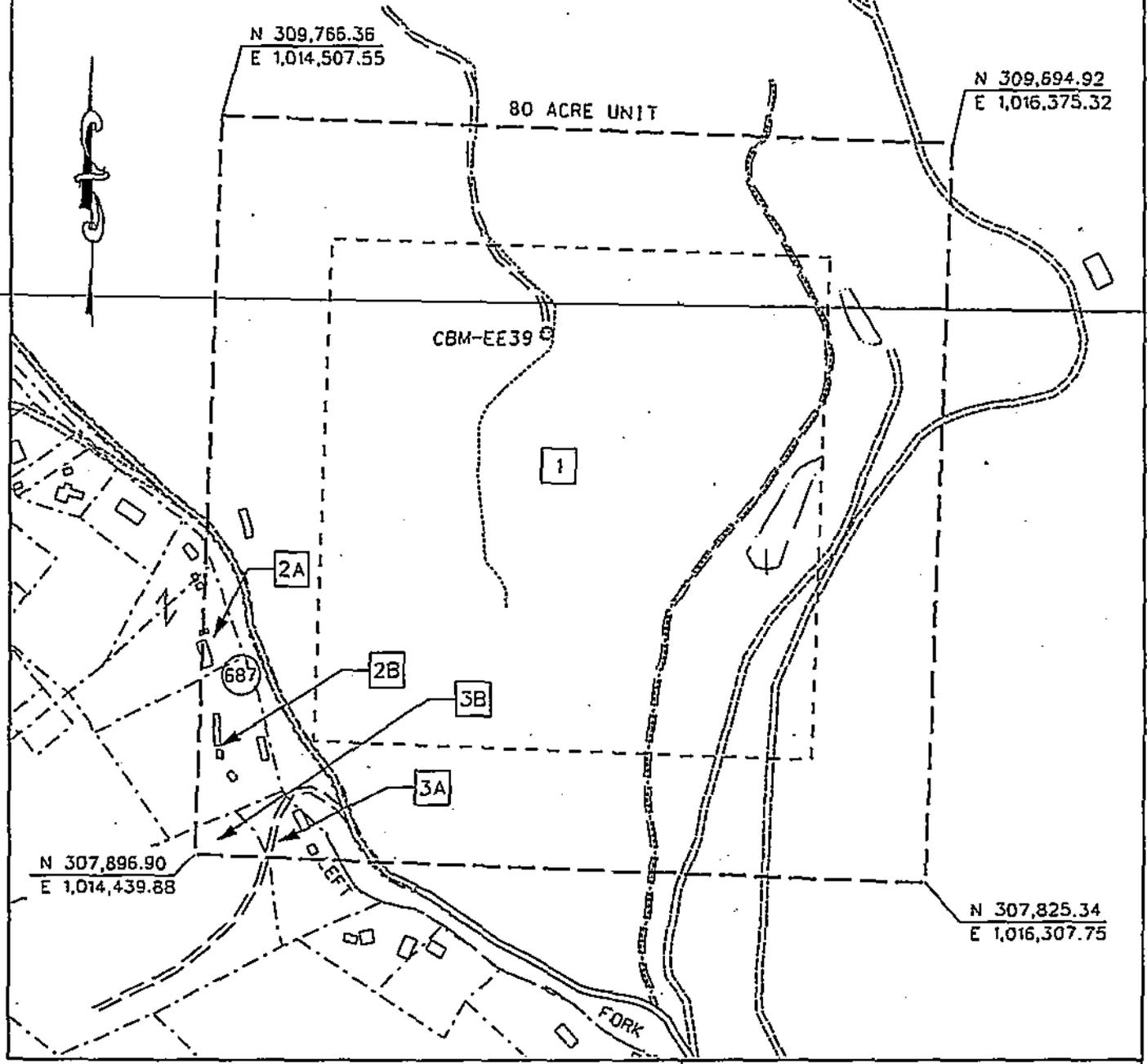


EXHIBIT A
 OAKWOOD FIELD UNIT EE-39
 FORCE POOLING
 VGOB-03-1021-1203

Company CNX Gas Company LLC Well Name and Number UNIT EE39
 Tract No. _____ Elevation _____ Quadrangle Keen Mountain
 County Tazewell District Maiden Springs Scale: 1" = 400' Date 9/18/05
 This plat is a new plat X ; an updated plat _____ ; or a final plat _____

Form DGO-60-7
 Rev. 9/91
 _____ (Affix Seal)
 Licensed Professional Engineer or Licensed Land Surveyor

CNX Gas Company LLC
UNIT EE-39
Tract Identifications

1. Commonwealth Coal Company Tr. 9 (1497.62 Acre May-Painter Tract) - Fee
 Reserve Coal Properties Company - Below Tiller Coal Leased
 Knox Creek Coal Corporation - Tiller and Above Coal Leased
 CNX Gas Company LLC - Oil, Gas and CBM Leased
 (Tax Map 64, Parcel 0000)
 77.29 acres 96.6125%
- 2A. Coal Mountain Mining Co. Limited Partnership, LLP Tr. 18 (185 Acre Tract) - Coal
 Reserve Coal Properties Company - Below Drainage Coal Leased
 CNX Gas Company LLC - CBM Leased
 Walter H. Boyd, et al. - Surface and All Minerals except Coal
 (Tax Map 84A, Parcel 121)
 0.41 acres 0.5125%
- 2B. Coal Mountain Mining Co. Limited Partnership, LLP Tr. 18 (185 Acre Tract) - Coal
 Reserve Coal Properties Company - Below Drainage Coal Leased
 CNX Gas Company LLC - CBM Leased
 James T. Absher Tract - Surface and All Minerals except Coal
 CNX Gas Company LLC - Oil, Gas and CBM Leased
 (Tax Map 84A, Parcel 100)
 1.42 acres 1.7750%
- 3A. Coal Mountain Mining Co. Limited Partnership, LLP Tr. 40 (158.50 Acre Tract) - Coal
 Reserve Coal Properties Company - Below Drainage Coal Leased
 CNX Gas Company LLC - CBM Leased
 Perry Deskins, et ux - Surface and All Minerals except Coal
 CNX Gas Company LLC - Oil, Gas and CBM Leased
 (Tax Map 84A, Parcel 97)
 0.56 acres 0.7000%
- 3B. Coal Mountain Mining Co. Limited Partnership, LLP Tr. 40 (158.50 Acre Tract) - Coal
 Reserve Coal Properties Company - Below Drainage Coal Leased
 CNX Gas Company LLC - CBM Leased
 Betty Short, et al - Surface and All Minerals except Coal
 CNX Gas Company LLC - Oil, Gas and CBM Leased
 (Tax Map 84A, Parcel 92A)
 0.32 acres 0.4000%

BK 1099PG0149

Exhibit E
Unit EE-39

Docket #VGOB 03-1021-1203-01

List of Conflicting Owners/Claimants that require escrow

	Acres in Unit	Interest in Unit
<u>Tract #2A, 0.41 acres</u>		
<u>COAL OWNERSHIP</u>		
(1) Coal Mountain Mining Company, Tr.18 Limited Partnership, L.L.P. P.O. Box 675 Tazewell, VA 24651	0.41 acres	0.5125%
<u>OIL & GAS OWNERSHIP</u>		
(1) Walter H. Boyd, et al.	0.41 acres	0.5125%
(a) Walter H. & Mable Marie Boyd HC Box 41 Raven, VA 24639	<i>Life Estate</i>	
(b) Carol Jean Asher P.O. Box 907 Raven, VA 24639	0.08 acres 1/5 of 0.41 acres	0.1025%
(c) Charles Walter Boyd 3148 Fork Ridge Road Raven, VA 24639	0.08 acres 1/5 of 0.41 acres	0.1025%
(d) Linda D. Cordill P.O. Box 421 Doran, VA 24612	0.08 acres 1/5 of 0.41 acres	0.1025%
(e) Freda Gail Thomas Rt.4 Box 173-16 Bluefield, WV 24701	0.08 acres 1/5 of 0.41 acres	0.1025%
(f) James Lee Boyd PO Box 907 Raven, VA 24639	0.08 acres 1/5 of 0.41 acres	0.1025%
<u>Tract #2B, 1.42 acres</u>		
<u>COAL OWNERSHIP</u>		
(1) Coal Mountain Mining Company, Tr.18 Limited Partnership, L.L.P. P.O. Box 675 Tazewell, VA 24651	1.42 acres	1.7750%
<u>OIL & GAS OWNERSHIP</u>		
(1) James T. Absher P.O. Box 385 Raven, VA 24639	1.42 acres	1.7750%

List of Conflicting Owners/Claimants that require escrow

	Acres in Unit	Interest in Unit
<u>Tract #3A, 0.56 acres</u>		
<u>COAL OWNERSHIP</u>		
(1) Coal Mountain Mining Company, Tr.40 Limited Partnership, L.L.P. P.O. Box 675 Tazewell, VA 24651	0.56 acres	0.7000%
<u>OIL & GAS OWNERSHIP</u>		
(1) Perry & Sylvia Naydine Deskins Star Route Box 37A Raven, VA 24639	0.56 acres	0.7000%

Exhibit EE
Unit EE-39
Docket #VGOB 03-1021-1203-01
List of Conflicting Owners/Claimants with Royalty Split Agreements

	Acres in Unit	Interest in Unit	Percent of Escrow
<u>Tract #3B, 0.32 acres</u>			
<u>COAL OWNERSHIP</u>			
(1) Coal Mountain Mining Company, Tr.40 Limited Partnership, L.L.P. P.O. Box 675 Tazewell, VA 24651	0.32 acres	0.4000%	n/a
<u>OIL & GAS OWNERSHIP</u>			
(1) Betty J. Short <i>(Previously listed as Betty J. Short, et al)</i>			
(a) Betty J. Short 211 Hunter Ave. Pounding Mill, VA 24637	0.32 acres	0.4000%	
<u>Royalties should be paid as follows:</u>			
Betty J. Short 211 Hunter Ave. Pounding Mill, VA 24637	0.24 acres 3/4 of 0.32 acres	0.3000%	8.8561%
Russell Bryan Rakes 1716 Green Mountain Road Cedar Bluff, VA 24609	0.08 acres 1/4 of 0.32 acres	0.1000%	2.9520%

By Deed of Gift dated 4/9/11, Russell Bryan Rakes conveyed his 25% ownership inherited from Charles G. Rakes to Betty J. Short (DB1092/PG708). In exchange, Betty J. Short assigned Russell Bryan Rakes a 25% royalty interest, executed 5/5/11.

Note: CBM ownership was adjudicated to the prevailing plaintiff under Case no. CL 11-206. The Order was executed March 11, 2011 and plaintiff was awarded 100% of the Coalbed Methane Gas underlying this tract.

BK 1099PG0152

Exhibit A-1
Tract-by-Tract Escrow Calculation
Account Balances as of 4/30/2011

Unit EE39
VGOB 03-1021-1203-01
Acres Escrowed: 2.71000

Owners	Tract #	Acres	Owner Acres	Interest	Owners' Percent of Escrow	Amount Due Owners \$12,165.79
Coal Mountain Mining Co. Limited Partnership, LLP - Coal	3b	0.32				
Betty J. Short - O,G, & CBM						
Betty J. Short			0.24	3/4	8.8561%	\$1,077.41
Russell Bryan Rakes			0.08	1/4	2.9520%	\$359.14

Wells contributing to the escrow account: EE39 and EE39A

INSTRUMENT #110002645
RECORDED IN THE CLERK'S OFFICE OF
TAZEWELL COUNTY ON
AUGUST 10, 2011 AT 03:43PM
James E. Blevins
JAMES E. BLEVINS, CLERK
RECORDED BY: ADR