

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

APPLICANTS: Mae Smith Rowlett)
Irene Fields)

DOCKET NO.
04-1214-1373-01

RELIEF SOUGHT: Issuance of an Amended Supplemental)
Order Amending Prior Orders Affecting)
Drilling Unit Served by well VC-503042)
Located in Kenady District,)
Dickenson County, Virginia)
(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 Applicants a Royalty Accounting; and)
(3) Disbursement to applicants in)
Accordance with Their Royalty)
Agreement Those Funds Deposited by the)
Unit Operator into Subject Drilling Unit's)
Escrow Subaccount for VGOB Tracts 2.)
and 7.)

TAX MAP IDENTIFICATION
NUMBERS: TAX MAP
IDENTIFICATION NUMBERS
FOR ALL PARCELS
AFFECTED BY THIS ORDER
ARE SHOWN ON EXHIBIT(S)
EEE 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") at 9:00 a.m. on September 19, 2006 at the Southwest Virginia Higher Education Center on the campus of Virginia Highlands Community College, Abingdon, VA.
2. **Appearances:** Jim Kiser, Esq. appeared for the Unit Operator; 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 April 4, 2005, 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 April 16, 2005 in Deed Book 410 at Page 628. The Board designated Equitable Resources Exploration 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 October 13, 2005 that was filed with the Clerk's Office on October 14, 2005 in Deed Book 418 at page 324 ("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 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 coal ownership interests of Pine Mountain Oil and Gas, Inc. and the oil and gas fee ownership of Mae Smith Rowlett in an 8.31-acre tract known as VGOB Tract 2, and the coal ownership interests of Pine Mountain Oil and Gas, Inc. and the oil and gas fee ownership of Jack and Irene Fields in an 15.0-acre tract known as VGOB Tract 7 in Subject Drilling Unit were in conflict and became subject to the escrow requirements of the Pooling Order.
- 4.3 The Unit Operator's Affidavit and Miscellaneous Petition dated September 19, 2006, a copy of which is attached to and made a part hereof, states under oath that Pine Mountain Oil and Gas, Inc. and Mae Smith Rowlett have entered into a royalty agreement with regard to VGOB Tract 2, and Pine Mountain Oil and Gas, Inc. and Jack and Irene Fields have entered into a royalty agreement with regard to VGOB Tract 7, and that by the terms of the agreements, Pine Mountain Oil and Gas, Inc. has relinquished any and all claims to escrowed funds in Tracts 2 and 7, and escrow regarding the conflicting claims detailed herein is no longer required.
- 4.4 The Unit Operator gave notice to Pine Mountain Oil and Gas, Inc., Mae Smith Rowlett, and Jack and Irene Fields that the Board would take the Affidavit referred to in Paragraph 4.3 above under consideration at its hearing on September 19, 2006 and consider whether to: (1) amend the Pooling Order to provide for the disbursement of funds on deposit in the Escrow Account attributable to Tract 2 and the interest of Mae Smith Rowlett in accordance with the terms of the royalty agreement, and the interest of Jack and Irene Fields in accordance with the terms of the royalty agreement, and (2) delete the requirement that the Unit Operator place future royalties attributable to Tracts 2 and 7 in the Escrow Account, and (3) continue the escrow account under this docket number because parties other than those seeking disbursement under this order are subject to 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 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 Unit Operator has certified and represented to the Board that:

- (1) Pine Mountain Oil and Gas, Inc. is the owner of 100% of the coal owner claim to coalbed methane underlying VGOB Tracts 2 and 7 of the Subject Drilling Unit;
- (2) Mae Smith Rowlett is the owners of 100% of oil and gas estate underlying VGOB Tract 2 of the Subject Drilling Unit;
- (3) Irene Fields is the owner of 100% of oil and gas estate underlying VGOB Tract 7 of the Subject Drilling Unit;
- (4) that Pine Mountain Oil and Gas, Inc. and Mae Smith Rowlett have entered into a royalty agreement regarding VGOB Tract 2, and Pine Mountain Oil and Gas, Inc. and Irene Fields have entered into a royalty agreement regarding VGOB Tract 7, and that by that agreement, Pine Mountain Oil and Gas has agreed to waive all claims any share of conflicting claims to bonuses and/or royalties, if any, deposited by the Unit Operator in the Escrow Account which are attributable to said tract.
- (5) that the net interests attributable and to be disbursed to applicants are shown in Table 1, Below.

| TABLE 1 | | |
|---|---------------------|--|
| Tract # Owner Names | % interest in tract | % interest in 94-0621-0000 balance 0955 |
| Tract 2 Mae Smith Rowlett 3152 Steele Creek Dr. Bristol, TN 37620-7203 | 100% | 19.5116% |
| Tract 7 Irene Fields 31914 Sandra Lane Westland, MI 48185 | 100% | 35.2195% |

6. **Relief Granted:**

For the reasons set forth in Paragraph 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 one hundred percent (100%) of the funds attributable to VGOB Tract 2, being 19.5116 percent of funds on deposit in the escrow sub-account on the date of disbursement, to:

Mae Smith Rowlett
3152 Steele Creek Dr.
Bristol, TN 37620-

and (2) disburse one hundred percent (100%) of the funds attributable to the VGOB Tract 7, being 35.2195 percent of funds on deposit in the escrow sub-account on the date of disbursement, to:

Irene Fields
31914 Sandra Lane
Westland, MI

Exhibits to the Pooling Order showing owners subject to escrow are deleted in toto 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 Pine Mountain Oil and Gas, Inc. and Mae Smith Rowlett in VGOB Tract 2, and the conflicting coalbed methane gas ownership interests of Pine Mountain Oil and Gas, Inc. and Jack and Irene Fields in VGOB Tract 7 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 16th day of January, 2006, by a majority of the Virginia Gas and Oil Board.

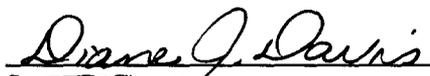

Chairman, Benny R. Wampler

DONE AND PERFORMED this 12th 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 16th day of January, 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. Carrett~~
Notary Public

My Commission expires: 9/30/09

COMMONWEALTH OF VIRGINIA)
COUNTY OF WASHINGTON)

Acknowledged on this 12th 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: Mae Smith Rowlett, Jack & Irene Fields

DOCKET NUMBER: VGOB 04/12/14-1373-01

RELIEF SOUGHT: Supplemental Order for Disbursement of Escrowed Funds on behalf of Mae Smith Rowlett, Jack & Irene Fields

LEGAL DESCRIPTIONS: Drilling Unit Number VC-503042 created by Board Order Dated April 6, 2005, VGOB 04/12/14-1373 in the Kenady District, Dickenson County, Virginia.

HEARING DATE: September 19, 2006

MISCELLANEOUS PETITION

1. Party: Applicants herein are Mae Smith Rowlett, (hereinafter "Plaintiffs"), whose address is 3152 Steeles Creek Drive, Bristol, TN 37620 and Jack & Irene Fields, (hereinafter "Plaintiffs"), whose address is 31914 Sandra Lane, Westland, MI 48185.
2. Facts:
 - a. Equitable was designated as the Operator and Applicants interests were Pooled in the VC-503042 Unit by Order of the Virginia Gas and Oil Board (hereinafter "Board") executed on April 6, 2005, pursuant to Docket No. VGOB 04/12/14-1373 and recorded in the Circuit Court Clerk's Office of Dickenson County, Virginia on April 6, 2005, Deed Book 410, Page 628-644 (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 Mountain Oil and Gas, Inc. was a conflicting claimant with the above-listed Plaintiffs with regard to Tracts 7 and 9.
 - e. To resolve this conflict, a Letter dated May 31, 2006 & a Letter dated July 31, 2006 signed by Jerry H. Grantham, 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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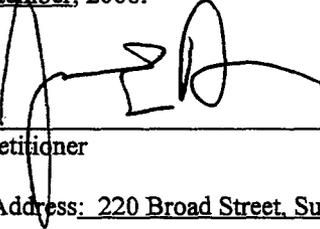
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- g. Any escrow amount, not yet deposited into the escrow account, held by Operator should also be determined, and distributed to Applicants/Plaintiffs herein, accordingly.
- h. Applicants/Plaintiffs herein do hereby request that the Board enter amended 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 19th day of September, 2006.

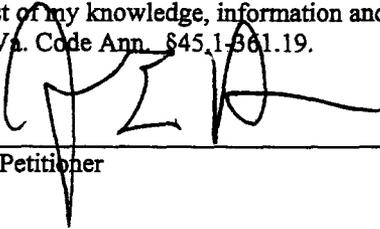
By: 

Petitioner

Address: 220 Broad Street, Suite 202
Kingsport, TN 37660

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.



Petitioner

**PINE MOUNTAIN
Oil and Gas, Inc.**

P.O. Box 2136
406 W. Main Street
Abingdon, Virginia 24212
Phone: (276) 628-9001
Fax: (276) 628-7246



July 31, 2006

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

Re: Escrowed Royalties – Wells VC-3042, VC-4511 and VC-6108
Mae Smith Rowlett, 92.57 acres

Dear Ms. Freeman:

It is our understanding that you are holding the royalty proceeds on the Mae Smith Rowlett 92.57 acre portion of the above mentioned well units in escrow due to the conflict in ownership issues regarding coalbed methane. We have received the enclosed letters from Mrs. Mae Smith Rowlett requesting a royalty determination regarding the same. Mrs. Rowlett indicated to us that she is the oil and gas owner in the subject well units; however, we do not have any information as to the current ownership of this tract. Pine Mountain waives its claim to the escrowed royalty proceeds related to the Mae Smith Rowlett's portion of these well units, and ask that the appropriate oil and gas owner receive her proportionate disbursement of the royalty proceeds from these portions of these well units.

Although VC-2206 and VC-3047 wells are listed in Mrs. Smith's letter, our records indicate that she owns no interest in the above units.

By copy of this letter, we are notifying Mrs. Rowlett of our action on this matter. If you have any questions or comments, please do not hesitate to contact me by phone at (276) 619-2582 or by e-mail at dlouthian@gl-energy.com.

Sincerely,

PINE MOUNTAIN OIL & GAS, INC.


Jerry H. Grantham
Vice President

JHG/dh
Enclosures
cc: Ms. Mae Smith Rowlett

EXHIBIT "E"
VC-503042
 Revised 7/18/2006

| <u>TRACT</u> | <u>LESSOR</u> | <u>LEASE STATUS</u> | <u>INTEREST WITHIN UNIT</u> | <u>GROSS ACREAGE IN UNIT</u> |
|------------------------|--|---------------------------|-----------------------------|------------------------------|
| <u>Gas Estate Only</u> | | | | |
| 3 ID 18837 | Equitable Production Company 1710 Pennsylvania Ave. Charleston, WV 25328 | Oil & Gas Owner 241480 | 0.11000000% | 0.0600 |
| 5 ID 4569 | Carol Ruth Smith George Smith 111 Locust St. Tazwell, VA 24651 | Leased - EPC 243909 | 0.67000000% | 0.3950 |
| 6 ID 5838 | Verna Sutherland Floyd Sutherland 99 Devonshire St. Ypsilanti, MI 48198 | Leased - EPC 906664 | 2.71000000% | 1.5900 |
| 8 ID 16055 | Charlotte Lynn Rose Rt 1 Box 24 McClure, VA 24269 | Leased - EPC 905531 | 24.33000000% | 14.3000 |
| 9 ID 16055 | Linda Robinson Charlie Robinson 230 Racine Ave. North Tazwell, VA 24630 | Leased | 0.23916750% | 0.1418 |
| | Carol Ruth Smith George Smith 111 Locust St. Tazwell, VA 24651 | Leased - EPC 905683 | 0.23916750% | 0.1418 |
| | Verna Sutherland Floyd Sutherland 99 Devonshire St. Ypsilanti, MI 48198 | Leased - EPC 905683 | 0.47833300% | 0.2833 |
| | Roy Rose Charlotte Rose Rt 1 Box 24 McClure, VA 24269 | Leased - EPC 905683 | 0.47833300% | 0.2833 |

| | | | | |
|---------------|--|----------|--------------|---------|
| | Ted Johnson 6945 Richmond Way Sacramento, CA 95828 | Unleased | 0.47833300% | 0.2833 |
| 10 ID 3718 | Linda Robinson Charlie Robinson 230 Racine Ave. North Tazwell, VA 24630 | Leased | 0.70000000% | 0.4000 |
| | Total Gas Estate | | 30.43333400% | 17.8784 |

COAL ESTATE ONLY

| | | | | |
|----|--|------------------------|--------------|---------|
| 3 | Pine Mountain Oil and Gas, Inc. P.O. Box 2136 Abingdon, VA 24212 | Leased - EPC 241640 | 0.11000000% | 0.0600 |
| 5 | Pine Mountain Oil and Gas, Inc. P.O. Box 2136 Abingdon, VA 24212 | Leased - EPC 241640 | 1.34000000% | 0.7900 |
| 6 | Pine Mountain Oil and Gas, Inc. P.O. Box 2136 Abingdon, VA 24212 | Leased - EPC 241640 | 2.71000000% | 1.5900 |
| 8 | Pine Mountain Oil and Gas, Inc. P.O. Box 2136 Abingdon, VA 24212 | Leased - EPC 241640 | 24.33000000% | 14.3000 |
| 9 | Pine Mountain Oil and Gas, Inc. P.O. Box 2136 Abingdon, VA 24212 | Leased - EPC 241640 | 2.87000000% | 1.7000 |
| 10 | Pine Mountain Oil and Gas, Inc. P.O. Box 2136 Abingdon, VA 24212 | Leased - EPC 241640 | 0.70000000% | 0.4000 |
| | Total Coal Estate | | 72.47000000% | 42.5900 |

