

Instrument prepared by:

VIRGINIA GAS AND OIL BOARD

Order recorded under:

**CODE OF VIRGINIA
§ 45.1-361.26****VIRGINIA: BEFORE THE GAS AND OIL BOARD****APPLICANTS:**CNX Gas Company LLC on behalf of Swords
Creek Land Partnership and Donald Richardson, et
ux (Tract 1B).**DOCKET NO.****05-0315-1415-01****RELIEF SOUGHT:**

Issuance: A Supplemental Order for Disbursement of Escrowed Funds
 Action: Amending Prior Orders Affecting Drilling **AZ-123**,
Tract 1B
 (Referenced herein as "the Subject Drilling Unit")

Location: Russell County, Virginia**Action Details:**

- (1) To provide a calculation of funds, Unit Operator has deposited into the Escrow Account for Drilling Unit **AZ-123** 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.**

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 November 17, 2009 at the Conference Center, Russell County Office Building, Lebanon, Virginia.
2. **Appearances:** , Mark A. Swartz, Esq. of the law firm of Swartz and Stump, L. C. 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 sub accounts, 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 sub accounts. 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. On October July 22, 2005 the Board 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 Russell County on July 25, 2005, Deed Book 635, Page 0666. The Board executed its Supplemental Order Regarding Elections which was filed with the Clerk of the Circuit Court of Russell County on December 13, 2007 at Deed Book 682, Page 0910.
- 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 Swords Creek Land Partnership and the gas ownership interests of Donald Richardson, etux in Tract 1B 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 1B a copy of which is attached to and made a part hereof, states under oath that Swords Creek Land Partnership and Donald Richardson have entered into an agreement with regards to Tract 1B, that by the terms of the agreements, Swords Creek Land Partnership and Donald Richardson have entered into a split agreement (50% / 50%) regarding Tract 1B and escrow regarding these individual conflicting claims detailed herein, is no longer required.
- 4.4. The Unit Operator gave notice to the applicants that the Board would consider its disbursement authorization at its hearing on November 17, 2009 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 1B identified in the attached miscellaneous petition (2) delete the requirement that the Unit Operator place future royalties attributable to a portion of said Tract 1B 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 other parties 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) Hugh MacRae Land Trust / Torch Operating Company and EE & E Fletcher (previously Ellen Fletcher) in Tract 1A are the owners of the coal and gas acreage estate underlying a portion of VGOB Tract 1A of the Subject Drilling Unit.
- (2) Net interests attributable and to be disbursed to Applicants are shown in Table 1 below.

VGOB Approved Disbursement
VGOB-05-0315-1415-01

	As Given			
Acreage	Acreage	Split	Acres	% of
Fraction	Interest	Agreement		Escrowed
				Funds

Table 1

Tract 1B							
Item	Tract	Disbursement Table					
						0.54168	
1	1B	Swords Creek Land Partnership, P. O. Box 187, Tazewell, VA 24651		0.1600	50.0%	0.08	14.7688%
2	1B	Donald Richardson, etux Box 71, Swords Creek, VA 24639		0.1600	50.0%	0.08	14.7688%

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 24 day of Nov., 2009 by a majority of the Virginia Gas and Oil Board.

Bradley C. Lambert
Bradley C. Lambert/Chairman

DONE AND PERFORMED this 24th day of November, 2009 by an Order of this Board.

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

COMMONWEALTH OF VIRGINIA)
COUNTY OF RUSSELL)

Acknowledged on this 24th day of Nov, 2009, 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.

Diane J. Davis
Diane J. Davis
Notary Public #174394

My commission expires: 09 / 30 / 2013



BEFORE THE VIRGINIA GAS AND OIL BOARD

PETITIONER: CNX Gas Company LLC

DIVISION OF GAS AND OIL
DOCKET NO: VGOB 05-0315-1415-01

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

HEARING DATE: November 17, 2009

DRILLING UNIT: AZ-123

~~Russell~~
BUCHANAN 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) 1B as depicted upon the annexed Exhibit A; and (2) authorization to begin paying royalties directly to the parties to the royalty split between Swords Creek Land Partnership and Donald Richardson, et ux

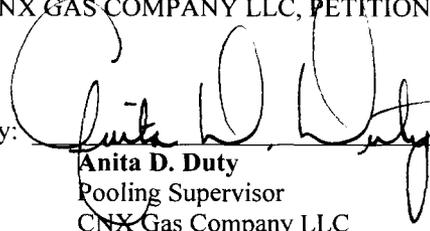
3. **Legal Authority:** Va. Code Ann. § 45.1-361.1 et seq., 4 VAC 25-160-140., and relevant Virginia Gas and Oil Board Orders ("Board") heretofore promulgated pursuant to law.

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

5. **Factual basis for relief requested:** Swords Creek Land Partnership and Donald Richardson, et ux have entered into royalty split agreement(s). Said royalty split agreement allows the Applicant and Designated Operator to pay royalties directly to the persons identified in Exhibit EE annexed hereto and the annexed Exhibit A, further, specifies how said royalties are to be divided and 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 Gas Company LLC
2481 John Nash Blvd.
Bluefield, West Virginia 24701

**Tract-by-Tract Escrow Calculation
Account Balances as of 9/30/09**

Unit AZ123
VGOB 05-0315-1415-01
Acres Escrowed: 0.54170

Owners	Tract #	Tract Acres	Total Tract Percent of Escrow	Split	Owners' Percent of Escrow (50%)	Amount Due Owners \$321.76
Swords Creek Land Partnership - Coal	1b	0.16	29.53664%	50%	14.76832%	\$47.52
Donald Richardson, et ux - O&G				50%	14.76832%	\$47.52
Swords Creek Land Partnership - Coal	1e	0.38170	70.46336%		35.23168%	\$113.36
Ralph J. Childress, et al (Arnold Keen Heirs) - O&G				1.10	35.23168%	\$113.36

Wells contributing to the escrow account: AZ123

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

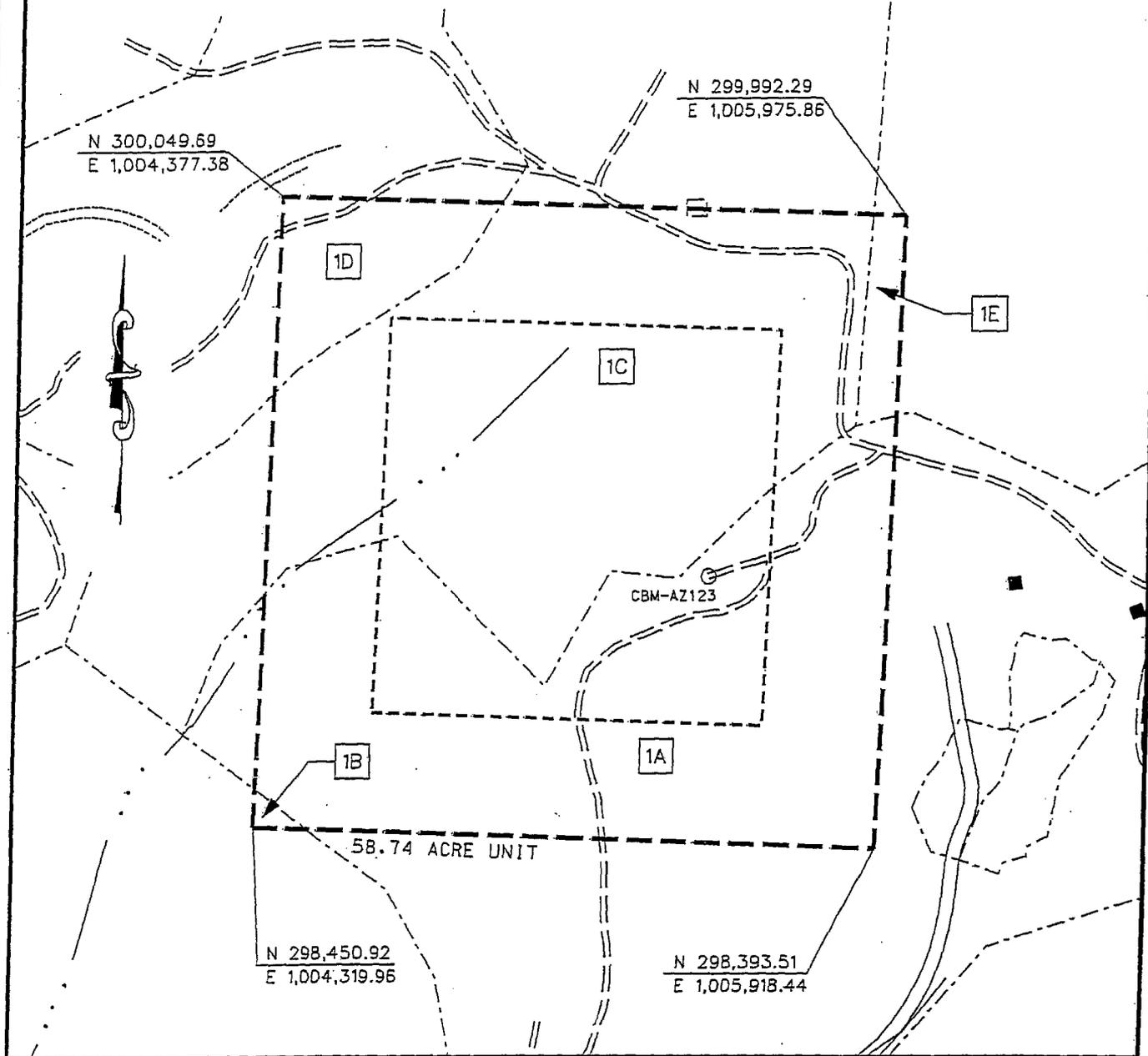
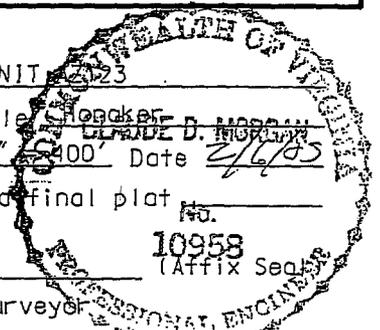


EXHIBIT A
 MIDDLE RIDGE 1 FIELD
 UNIT AZ-123
 FORCE POOLING
 VGDB-05-0315-1415

Company CNX Gas Company LLC Well Name and Number UNIT 2023
 Tract No. _____ Elevation _____ Quadrangle Blocker
 County Russell District New Garden Scale: 1"=400' Date 2/6/05
 This plat is a new plat X ; an updated plat _____ ; or a final plat _____

Form DGO-60-7
 Rev. 9/91

Claude A. Meyer
 Licensed Professional Engineer or Licensed Land Surveyor



CNX GAS COMPANY LLC**UNIT AZ123**

Tract Identifications
(58.74 Acre Unit)

- 1A. Swords Creek Land Partnership Tr. 21 - Coal
Reserve Coal Properties Company - Below Tiller Coal Leased
Knox Creek Coal Company - Tiller and Above Coal Leased
CNX Gas Company LLC – CBM Leased
A. E. Richardson Heirs – Surface and All Minerals except Coal
CNX Gas Company LLC – Oil, Gas and CBM Leased
26.12 acres 44.4671%
- 1B. Swords Creek Land Partnership Tr. 21 - Coal
Reserve Coal Properties Company - Below Tiller Coal Leased
Knox Creek Coal Company - Tiller and Above Coal Leased
CNX Gas Company LLC – CBM Leased
Donald Richardson, et ux – Surface and All Minerals except Coal
0.16 acres 0.2724%
- 1C. Swords Creek Land Partnership Tr. 21 - Coal
Reserve Coal Properties Company - Below Tiller Coal Leased
Knox Creek Coal Company - Tiller and Above Coal Leased
CNX Gas Company LLC – CBM Leased
Charles Robinson, et al – Surface and All Minerals except Coal
CNX Gas Company LLC – Oil, Gas and CBM Leased
27.70 acres 47.1570%
- 1D. Swords Creek Land Partnership Tr. 21 - Coal
Reserve Coal Properties Company - Below Tiller Coal Leased
Knox Creek Coal Company - Tiller and Above Coal Leased
CNX Gas Company LLC – CBM Leased
Kenneth C. Miller, Jr., et ux – Surface and All Minerals except Coal
CNX Gas Company LLC – Oil, Gas and CBM Leased
3.66 acres 6.2308%
- 1E. Swords Creek Land Partnership Tr. 21 - Coal
Reserve Coal Properties Company - Below Tiller Coal Leased
Knox Creek Coal Company - Tiller and Above Coal Leased
CNX Gas Company LLC – CBM Leased
Ralph J. Childress, et al – Surface and All Minerals except Coal
CNX Gas Company LLC – Oil, Gas and CBM Leased (84%)
1.10 acres 1.8727%

Exhibit E
Unit AZ-123
Docket #VGOB 05-0315-1415
List of Conflicting Owners/Claimants that require escrow
(58.74 Acre Unit)

	Acres in Unit	Interest in Unit
<u>Tract #1E, 1.10 acres</u>		
<u>COAL FEE OWNERSHIP</u>		
(1) Swords Creek Land Partnership, Tr.21 P.O. Box 29 Tazewell, VA 24651	1.10 acres	1.8727%
<u>OIL & GAS FEE OWNERSHIP</u>		
Ralph J. Childress, et al. (a.k.a. - Arnold Keen Heirs, Devisees, Successors or Assigns, et al.)	1.10 acres	1.8727%
(2) Robert L. Keen Heirs, Devisees, Successors or Assigns		
(b) Nell Fern Stallard PO Box 3298 Lebanon, VA 24266	0.0106 acres 1/104 of 1.10 acres	0.0180%
(d) Vernie Lewis Keen 972 Pigeon Ridge Road Crossville, TN 38555	0.0106 acres 1/104 of 1.10 acres	0.0180%
(l) Ella Mae Vandyke 544 Linkous Drive Lebanon, VA 24266	0.0106 acres 1/104 of 1.10 acres	0.0180%
(m) Allie Gray Eichelberger Heirs, Devisees, Successors or Assigns		
(m.1) Ben Davis Eichelberger, II P.O. Box 85 Newport, VA 24218	0.0035 acres 1/312 of 1.10 acres	0.0060%
(m.2) John Preston Eichelberger P.O. Box 217 Free Union, VA 22940	0.0035 acres 1/312 of 1.10 acres	0.0060%
(m.3) Sarah Boyd Tankersley 1761 Arborwood Drive Florence, KY 41042	0.0035 acres 1/312 of 1.10 acres	0.0060%
(3) Bascom Keen Heirs, Devisees, Successors or Assigns		
(d) Danny Keen 48 Daisy Lane Swords Creek, VA 24649	0.0275 acres 1/40 of 1.10 acres	0.0468%
(e) Victoria Slate Heirs, Devisees, Successors or Assigns		
(e.1) Raymond Slate, Jr. 1829 Lynn Springs Rd. Swords Creek, VA 24649	0.0069 acres 1/160 of 1.10 acres	0.0117%

Exhibit E
Unit AZ-123

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Docket #VGOB 05-0315-1415

List of Conflicting Owners/Claimants that require escrow
(58.74 Acre Unit)

	Acres in Unit	Interest in Unit
(4) Lydia Miller Heirs, Devisees, Successors or Assigns		
(a) Annis Roten 270 Bethel Road Oxford, PA 19363	0.0275 acres 1/40 of 1.10 acres	0.0468%
(b) Arvil C. Miller 2420 Baltimore Pike Oxford, PA 19363	0.0275 acres 1/40 of 1.10 acres	0.0468%
(c) Helen Myers 2758 Augustine Herman Hwy. Chesapeake, MD 21915	0.0275 acres 1/40 of 1.10 acres	0.0468%
(d) Hubert D. Miller 785 Odessa Rd. Middletown, DE 19708	0.0275 acres 1/40 of 1.10 acres	0.0468%
(5) Peter Parson Keen Heirs, Devisees, Successors or Assigns		
(b) Paul Keen P.O. Box 72 Swords Creek, VA 24649	0.0125 acres 1/88 of 1.10 acres	0.0213%
(c) Chester Wiley Keen P.O. Box 23 Montvale, VA 24122	0.0125 acres 1/88 of 1.10 acres	0.0213%
(e) Carrie Dell Keen <i>Address Unknown</i>	0.0125 acres 1/88 of 1.10 acres	0.0213%
(f) Melinda Mayzell Sykes 1125 Wasena Avenue SW Roanoke, VA 24105	0.0125 acres 1/88 of 1.10 acres	0.0213%
(g) Sylvia Loretta Withrow <i>Address Unknown</i>	0.0125 acres 1/88 of 1.10 acres	0.0213%
(h) Donny Sherman Keen <i>Address Unknown</i>	0.0125 acres 1/88 of 1.10 acres	0.0213%
(i) Shirley Ellen Arrington 1125 Wasena Avenue SW Roanoke, VA 24105	0.0125 acres 1/88 of 1.10 acres	0.0213%
(j) Wilma Doretta Keen <i>Address Unknown</i>	0.0125 acres 1/88 of 1.10 acres	0.0213%
(k) Parson Junior Keen <i>Address Unknown</i>	0.0125 acres 1/88 of 1.10 acres	0.0213%
(6) Charlie A. Keen Heirs, Devisees, Successors or Assigns		

Exhibit E
Unit AZ-123

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Docket #VGOB 05-0315-1415
List of Conflicting Owners/Claimants that require escrow
(58.74 Acre Unit)

	Acres in Unit	Interest in Unit
(d) Mitchell Keene P.O. Box 610 Oceana, WV 24870	0.0275 acres 1/40 of 1.10 acres	0.0468%
(e) James Keene P.O. Box 63 Fairdale, WV 25939	0.0275 acres 1/40 of 1.10 acres	0.0468%
(7) John T. Keen Heirs, Devisees, Successors or Assigns		
(e) Lydia Jane Honaker P.O. Box 64 Swords Creek, VA 24649	0.0275 acres 1/40 of 1.10 acres	0.0468%

003124

VIRGINIA: IN THE OFFICE OF THE CLERK OF THE CIRCUIT COURT OF RUSSELL COUNTY, 12-2, 2009. This deed was this day presented in said office, and upon the certificate of acknowledgment thereto annexed, admitted to record at 3:03 o'clock P.M, after payment of \$ - tax imposed by Sec. 58.1-802.

TESTE: ANN S. McREYNOLDS, CLERK
BY: Ann S. McReynolds CLERK

Original returned this date to: Dept of Mines