

INSTRUMENT PREPARED BY  
VIRGINIA GAS AND OIL BOARD

ORDER RECORDED UNDER CODE  
OF VIRGINIA SECTION 45.1-361.26

V I R G I N I A :

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: Appalachian Energy, Inc. )  
) VIRGINIA GAS  
) AND OIL BOARD

RELIEF SOUGHT: **EXCEPTION TO STATEWIDE SPACING** )  
LIMITATIONS PRESCRIBED BY VA. CODE ) DOCKET NO.  
§ 45.1-361.17(a)(2) FOR ) 05/07/19-1482  
Well AE-151 )  
) )  
LEGAL DESCRIPTION: )  
) )  
DRILLING UNIT SERVED BY WELL NUMBERED )  
AE-151 TO BE DRILLED IN THE LOCATION )  
DEPICTED ON EXHIBIT A HERETO, )  
Charles French Heirs )  
164.56 Acre Tract )  
Elkhorn City QUADRANGLE, )  
Willis MAGISTERIAL DISTRICT, )  
DICKENSON 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 July 19, 2005, Southwest Virginia Higher Education Center on the campus of Virginia Highlands Community College, Abingdon, Virginia.
2. Appearances: James E. Kaiser appeared for the Applicant.
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

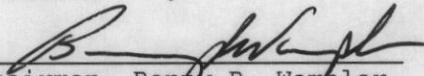
notice of this application; and (3) that the persons set forth in Exhibit B hereto have been identified by Applicant as owners of Gas interests underlying Subject Drilling Unit, including those who have not heretofore leased, sold or voluntarily agreed with the Applicant to pool their Gas interests in 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. P-550423.
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. AE-151, 2203.97 feet from existing Well No. EH-54 at the location depicted on the Plat attached hereto;
8. Special Findings: The Board specifically and specially finds:
  - 8.1 Applicant is Appalachian Energy, Inc. a West Virginia Corporation. Applicant is duly authorized and qualified to transact business in the Commonwealth of Virginia;
  - 8.2 Applicant Appalachian Energy, Inc. 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 of 100% percent of Subject Drilling Unit and the right to explore for, develop and produce Gas from same, i.e., Well No. AE-151 as well as from reciprocal well, i.e., Well EH-54.
  - 8.4 The proposed Well AE-151 is located on a surface, coal, oil and gas tract consisting of 164.56 acres known as Charles French Heirs, 164.56 Acre Tract and the surface, coal, gas and oil owner has consented to the proposed location for Well AE-151 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 EH-54, 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 AE-151 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 500 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. AE-151 to a depth of 6000 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, Big Lime, Berea, and Devonian Shale, from surface to a total depth of 6000 feet (Subject Formations");
- 8.8 Applicant proposes to drill Well AE-151 a distance of 296.03 feet closer to Gas Well EH-54 than the 2500 feet mandated by statewide spacing;
- 8.9 Applicant proposes to complete and operate Well AE-151 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 16<sup>th</sup> day of August, 2005 by a majority of the Virginia Gas and Oil Board.

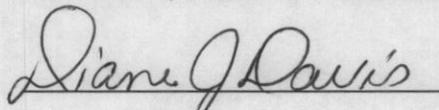
  
Chairman, Benny R. Wampler

DONE AND PERFORMED this 18<sup>th</sup> day of August, 2005 by Order of this Board.

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

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

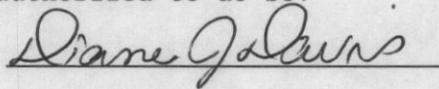
Washington  
Acknowledged on this 16<sup>th</sup> day of August, 2005 personally before me a notary public in and for the Commonwealth of Virginia, appeared Benny Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.

  
Notary Public

My commission expires: 9/30/05

STATE OF VIRGINIA )  
COUNTY OF WASHINGTON )

Acknowledged on this 18<sup>th</sup> day of August, 2005 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.

  
Notary Public

My commission expires: 9/30/05

TOTAL UNIT AREA  
= 101.07 ACRES

----- DENOTES SURFACE &  
MINERAL LINES

CHARLES FRENCH et. al. -  
surface, coal, oil & gas  
BLUE FLAME ENERGY CORP -  
LESSEE -oil & gas  
GAS 7.67 AC. 7.59%

PINE MOUNTAIN

KENTUCKY  
VIRGINIA

CCC COORDINATES  
OF WELL AE-151  
N 64945.92  
E 14136.01

STATE PLANE  
NAD 27 COORDINATES  
OF WELL AE-151  
N 366713.55  
E 884497.47  
LAT 37.278325°  
LON -82.334974°

537'

LATITUDE 37°17'30"

LONGITUDE 82°20'00"

4869'



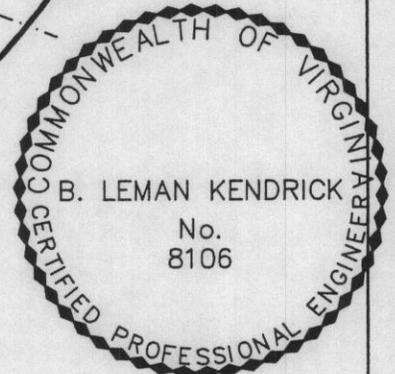
PIKE CO  
DICKENSON CO

CHARLES FRENCH et. al. -  
surface, coal, oil & gas  
GAS 93.40 AC. 92.41%

AE-151

Laurel Branch

COORDINATES  
OF BENCH MARK  
N 48859.71  
E 75916.33  
ELEV. = 2302.85



The actual location of the drilled well  
will be within ten (10) feet of the  
location shown hereon as provided  
for by 4 VAC 25-150-290 and  
45.1-361.30.

EH-54

NOTE !!!

WELL COORDINATES ARE BASED ON CLINCHFIELD  
COAL COMPANY'S COORDINATE SYSTEM  
CLINCHFIELD COAL COMPANY COORDINATES ARE  
CALCULATED FROM STATE PLANE WELL COORDINATES.  
PROPERTY INFORMATION PROVIDED BY APPALACHIAN  
ENERGY, INC.  
ELEVATIONS ARE BASED ON NGS CONTROL CINDY AZ MK.

WELL LOCATION PLAT

COMPANY Appalachian Energy, Inc. WELL NAME AND NUMBER AE-151

TRACT No. CHARLES FRENCH, et. al. ELEVATION 2396.44 (GPS) QUADRANGLE ELKHORN CITY

COUNTY DICKENSON DISTRICT WILLIS SCALE: 1" = 400' DATE JUNE 8, 2005

THIS PLAT IS A NEW PLAT x; AN UPDATED PLAT    ; OR A FINAL LOCATION PLAT      
PROPOSED TOTAL DEPTH OF WELL =           

+ DENOTES THE LOCATION OF A WELL ON UNITED STATES TOPOGRAPHIC MAPS, SCALE 1 TO  
24,000, LATITUDE AND LONGITUDE LINES BEING REPRESENTED BY BORDER LINES AS SHOWN.

*B. Lemman Kendrick* 6/8/05

(AFFIX SEAL)

AE-151 PLAT.DWG

VIRGINIA

VIRGINIA GAS AND OIL BOARD  
DEPARTMENT OF MINES, MINERALS, AND ENERGY  
ABINGDON, VIRGINIA

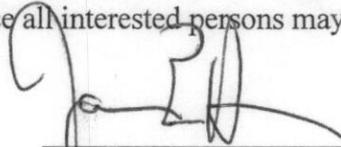
DOCKET NUMBER: VGOB-05/07/19-1482  
APPLICANT: Appalachian Energy, Inc.  
RELIEF SOUGHT: WELL LOCATION EXCEPTION  
Va. Code Ann. § 45.1-361.17  
WELL NO. AE-151  
LEGAL DESCRIPTION: Charles French Heirs  
164.56 Acre Tract  
Elkhorn City Quadrangle  
Willis District  
Dickenson County, Virginia

NOTICE OF HEARING

TO: See Exhibit B

Notice is hereby given that the Applicant in this cause is requesting the Virginia Gas and Oil Board grant a variance to authorize the drilling of the proposed well to produce formations from surface to total depth drilled.

Notice is further given that this matter is set for hearing before the Virginia Gas and Oil Board on the 19th day of July, 2005, at 9:00 o'clock at the Southwest Virginia Higher Education Center, Abingdon, Virginia at which time and place all interested persons may appear and be heard.



James E. Kaiser  
WILHOIT & KAISER