

090001773

Instrument prepared by:

VIRGINIA GAS AND OIL BOARD

Order recorded under:

CODE OF VIRGINIA  
§ 45.1-361.26

paid

VIRGINIA:

BEFORE THE GAS AND OIL BOARD

APPLICANTS:

Equitable Production Company on behalf of  
Sarah Geneva Ownes (Life Estate) and  
Range Resources – Pine Mountain, Inc.

DOCKET NO.

06-0919-1718-01

RELIEF SOUGHT:

Issuance: A Supplemental Order for Disbursement of Escrowed Funds  
Action: Amending Prior Orders Affecting Drilling VC-535926, Tract 2  
(Referenced herein as "the Subject Drilling Unit")  
Location: Buchanan County, Virginia

**Action Details:**

- (1) To provide a calculation of funds, Unit Operator has deposited into the Escrow Account for Drilling Unit VC-535926 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 July 15, 2008 at the Southwest Virginia Higher Education Center on the campus of Virginia Highlands Community College, Abingdon, VA.
2. **Appearances:** James E. Kaiser, 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 tracts in question or any undivided interest therein.

4. **Prior Proceedings:**

- 4.1. (a) On February 23, 2007, 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 Buchanan County on February 27, 2007, Instrument Number 070000694. The Board executed its Supplemental Order Regarding Elections that was filed with the Clerk on October 29, 2007, Instrument Number 070004041 (hereafter all orders are collectively referred to as the "Pooling Orders").
- 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 Range Resources – Pine Mountain, Inc; and the gas ownership interests of Sarah Geneva Owens (Life Estate) in the tract known as 2 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 2, a copy of which is attached to and made a part hereof, states under oath that Range Resource – Pine Mountain, Inc. and the Applicants have entered into an agreement with regards to Tract 2 and that by the terms of the agreements, Range Resource – Pine Mountain, Inc. has entered into a split agreement regarding this Tract and escrow regarding these individual conflicting claims detailed herein, is no longer required.
- 4.4 The Unit Operator gave notice to Range Resource – Pine Mountain, Inc. and the applicants that the Board would consider its disbursement authorization at its hearing on July 15, 2008 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 2 as identified in the attached miscellaneous petition (2) delete the requirement that the Unit Operator place future royalties attributable to a portion of said Tract 2 and the interests of Applicants identified in the miscellaneous petition in the Escrow Account, and (3) close the escrow account under this docket number because there are no 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) Range Resources – Pine Mountain, Inc. and Sarah Geneva Owens (Life Estate) respectively, are the owners of the coal estate and gas acreage estate underlying VGOB Tract 2 of the Subject Drilling Unit;

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

**VGOB Approved Disbursement**  
**VGOB 06-0919-1718-01**

	Acreage Interest	Split Agreement	Acres	% of Escrowed Funds
<b>Tract 2</b>				
<b>Disbursement Table</b>				
			4.63	
Sarah Geneva Owens (Life Estate) Rt 2 Box 276, Honaker VA 24260	4.63	75.0%	3.47	75.00%
Range Resources - Pine Mountain, Inc., P.O. Box 2136, Abingdon, VA 24212	4.63	25.0%	1.16	25.00%

**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 no other owners subject to escrow under the Supplemental Order, the Escrow Agent is directed to close 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<sup>th</sup> day of May, 2009, by a majority of the Virginia Gas and Oil Board.

*Bradley C. Lambert*  
Bradley C. Lambert, Chairman

DONE AND PERFORMED this 14 day of May, 2009, by an Order of this Board.

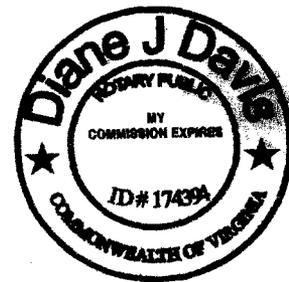
*David E. Asbury Jr.*  
David E. Asbury Jr.,  
Principal Executive to the Staff  
Virginia Gas and Oil Board

COMMONWEALTH OF VIRGINIA )  
COUNTY OF WASHINGTON

Acknowledged on this 14<sup>th</sup> day of May, 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 / 2009





VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANTS: Equitable Production Company on behalf of Gary Roger Hurley & Agnes Hurley and Range Resources-Pine Mountain Inc.

DOCKET NUMBER: VGOB 06/09/19-1718-01

RELIEF SOUGHT: Supplemental Order for Disbursement of Escrowed Funds on behalf of Gary Roger Hurley and Agnes Hurley and Range Resources-Pine Mountain Inc.

LEGAL DESCRIPTIONS: Drilling Unit Number 535926 created by Board Order Dated February 23, 2007 VGOB 06/09/19-1718 in Buchanan County, Virginia.

HEARING DATE: July 15, 2008

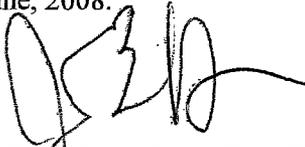
MISCELLANEOUS PETITION

1. Party: Applicant herein are Gary Roger Hurley and Agnes Hurley, (hereinafter "Plaintiffs), whose address is Route 1, Box 392 Vansant, VA 24656, and Range Resources-Pine Mountain Inc., whose address is 406 W. Main Street, Abingdon, VA 24212.
2. Facts:
  - a. Equitable was designated as the Operator and Applicants interests were Pooled in the 535926 Unit by Order of the Virginia Gas and Oil Board (hereinafter "Board") executed on February 23, 2007, pursuant to Docket No. VGOB 06/09/19-1718 and recorded in the Circuit Court Clerk's Office Buchanan County, Virginia on February 27, 2007, Instrument number 070000694 (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 Tract 2 as created by Board Order as VGOB 06/09/19-1718 is the applicable Tracts.
- e. To resolve this conflict, a Letter dated April 29, 2008 signed by Phil Horn, Land Manager 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.
- 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.
- 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.
- f. Since Tract 2 is the only Tract in escrow for this Unit, escrow is no longer needed and the account for this Unit may be closed.

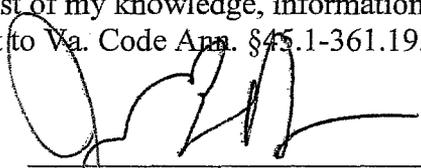
Dated this 13th day of June, 2008.

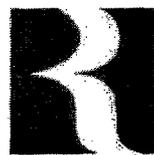
By:   
\_\_\_\_\_  
Petitioner

Address: Wilhoit & Kaiser  
220 Broad Street  
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



**RANGE RESOURCES**

May 6, 2008

Ms. Nikki Atkison  
EQUITABLE PRODUCTION COMPANY  
225 North Shore Drive  
Pittsburgh, PA 15212

**RE: Permanent Split of Royalty  
VC-535926 and any future CBM Wells  
98 Acre Lease  
Buchanan County, Virginia**

Dear Ms. Atkison:

I enclose a copy of a letter dated April 29, 2008, between Range Resources – Pine Mountain, Inc., and Gary Roger Hurley and Agnes Hurley, wherein the parties have agreed to a 75%/25% permanent split of escrowed royalty and all future royalty from the above well and any other CBM wells that include a portion of the 98 acre lease. Please release the escrowed royalty to Gary Roger Hurley, Agnes Hurley, and Range Resources - Pine Mountain, Inc., and begin making all future payments to the parties pursuant to their agreement.

By copy of this letter, I am notifying Gary Roger Hurley and Agnes Hurley of Pine Mountain's action on this matter. If you have any questions or comments, please do not hesitate to contact me by phone at (276) 619-2644 or by e-mail at [aedmisten@gl-energy.com](mailto:aedmisten@gl-energy.com).

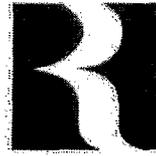
Sincerely,

RANGE RESOURCES - PINE MOUNTAIN, INC.

Ann Edmisten, CLAS  
Land Technician

Enclosure

cc: Gary Roger Hurley and Agnes Hurley  
Wanda (PMOG) w/original enclosure  
D. Louthian (PMOG) w/enclosure  
P. Horn (PMOG) w/enclosure  
D. Hall (EPC) w/enclosure ([dhall@eqt.com](mailto:dhall@eqt.com))



April 29, 2008

**RANGE RESOURCES**

Mr. Gary Roger Hurley  
Mrs. Agnes Hurley  
Route 1, Box 392  
Vansant, VA 24656

**Re: Permanent Split of CBM Royalty  
Gary Roger Hurley and Agnes Hurley (Remainder) 98 Acre Tract  
VC-535926 Well and all Future Wells  
Buchanan County, Virginia**

Dear Mr. and Mrs. Hurley:

As you are aware, Equitable Production Company ("EPC"), has drilled the referenced coalbed methane gas well on tracts of land (the "Property" or "Subject Tract") in which Range Resources - Pine Mountain, Inc., formerly Pine Mountain Oil and Gas, Inc., ("RR-PM") owns the coalbed methane gas through its deed from the former coal owner underlying the Property and you own an undivided interest in the gas. The above has created conflicting claims as to the ownership of the coalbed methane gas on the Subject Tract between RR-PM, as the owner of the coalbed methane gas through its deed from the former coal owner, and you, as the owner of an undivided interest in the gas. A plat indicating the location of the well within the operating unit is enclosed for your reference.

Due to our conflicting interests in the Subject Tract, EPC, as operator of the unit, has placed all royalty proceeds attributable to our conflicting interests into an escrow account. These royalty proceeds will remain in the escrow account until either a final legal determination of our conflicting claims to the coalbed methane gas is made or we reach an agreement on the division of the royalty proceeds. The most economical and expedient way to secure a release of the escrowed funds is for us to enter into an agreement which sets forth how the funds are to be distributed. Accordingly, in order to avoid the expense and time required to resolve the ownership question through the courts, RR-PM proposes resolving this matter by the agreement described below. Such an agreement will allow us to request distribution of the proceeds presently held in the escrow account and direct payment of all future proceeds.

RR-PM proposes that you receive disbursement of 75% of the proceeds held in the escrow account on the above-mentioned well and that RR-PM receive disbursement of 25% of the proceeds held in the escrow account on the above-mentioned well. RR-PM proposes the same percentage division for all future production payments which may accrue to our conflicting interests from the above-mentioned well. RR-PM will, at its sole expense, pursue the administrative process required to secure release of the proceeds held in the escrow account and will absorb all future costs of administering this letter agreement. None of these expenses and costs will be deducted from your 75% of the royalty proceeds. It is also agreed that the royalty from any future coalbed methane gas wells drilled upon the subject tract or upon other lands in which the subject tract is pooled therewith will be permanently split in the same 75%/25% proportion.

April 29, 2008

Page 2 of 3

If this division of proceeds is agreeable with you, RR-PM will diligently pursue the administrative processes required to secure release of the proceeds in the escrow account to you and RR-PM. You will be provided with copies of the correspondence to EPC, requesting distribution of the escrowed funds as well as the directive to EPC to pay all future royalties and other benefits attributable to our conflicting interests in the same 75% / 25% proportion.

This letter agreement effects a permanent division of the accrued, suspended or escrowed royalty payments and all future royalty payments on the above-mentioned well and future wells, which is binding upon you, your heirs and assigns and RR-PM and its successors and assigns. By entering into this agreement, the parties agree to refrain from making any claim or bringing any suit against the other party attacking the other party's coalbed methane interests set forth in this letter agreement. It is expressly agreed by the parties hereto that the division of the accrued, suspended or escrowed royalty payments and all future royalty payments on the above-mentioned well and future wells shall remain subject to this letter agreement, regardless of any subsequent judicial determination of ownership of coalbed methane in the Commonwealth of Virginia. Provided, however, nothing contained in this letter agreement shall change or alter the parties' common law rights and liabilities or the legal title to their respective coal and gas estates.

By entering into this letter agreement, you confirm the following:

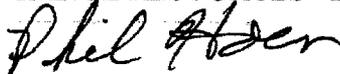
1. You are the current record title owner of the gas estate underlying the tract attributed to the Geneva Owens (Life Estate) and Gary Roger Hurley and Agnes Hurley (Remainder) 98 acre tract as shown on the enclosed plat. If you are not the current gas owner, please notify us immediately.
2. Sarah Geneva Owens owns a life estate in the Subject Tract and is entitled to receive the proceeds presently held in the escrow account and all future proceeds until such time as her life estate is expired.
3. If you are the gas owner upon the expiration of the life estate of Sarah Geneva Owens, at that time you will be entitled to receive the proceeds from the Subject Tract pursuant to the terms and conditions of this letter agreement.

By accepting the terms and conditions of this letter agreement, you are directing EPC to disburse royalties in accordance with this agreement. It is understood and agreed that no other terms or conditions of your lease with EPC are affected by this letter agreement.

Please evidence your agreement to these terms by signing this letter agreement on the line indicated below and returning this letter agreement to RR-PM in the enclosed self-addressed, stamped envelope. If you have any questions, please do not hesitate to call me at 276-619-2583.

Sincerely,

RANGE RESOURCES - PINE MOUNTAIN, INC.



Phil Horn  
Land Manager

Enclosures

April 29, 2008

Page 3 of 3

AGREED TO AND ACCEPTED BY:

Gary Hurley  
GARY ROGER HURLEY

Agnes Hurley  
AGNES HURLEY

RANGE RESOURCES - PINE MOUNTAIN, INC.  
Formerly Pine Mountain Oil and Gas, Inc.

BY: Phil Horn  
PHIL HORN  
LAND MANAGER

STATE OF VIRGINIA

COUNTY OF Dickenson, to-wit:

I, Larry Reeves, a Notary Public in and for the State and County aforesaid, do hereby certify Gary Roger Hurley and Agnes Hurley, whose names are signed to the writing hereto annexed, bearing date of the 29th day of April, 2008, have this day acknowledged the same before me, in said County and State.

Given under my hand and notarial seal this the 1<sup>st</sup> day of May, 2008.

My commission expires:

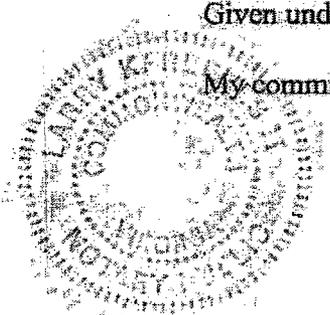
11/30/2010

Larry K. Reeves

Notary Public

Registration No.:

704 6705



COMMONWEALTH OF VIRGINIA

COUNTY OF WASHINGTON, to-wit:

I, Rebecca Ann M. Edmisten, a Notary Public in and for the State and County aforesaid, do hereby certify that Phil Horn, Land Manager for Range Resources - Pine Mountain, Inc., formerly Pine Mountain Oil and Gas, Inc., whose name as such is signed to the writing hereto annexed, bearing date the 29th day of April, 2008, has this day, before me, in my said County acknowledged the said writing on behalf of said corporation.

Given under my hand and notarial seal this the 29 day of April, 2008.

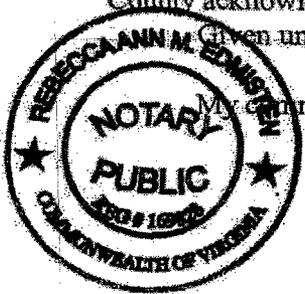
My commission expires:

1/31/2012

Rebecca Ann M. Edmisten  
Notary Public

Registration No.:

169828



**VGOB 06/09/19-1718**

**535926**

TRACT NO.	OWNER NAME and ADDRESS	SPLIT %	OWNER NET		TOTAL NET		TOTAL AMOUNT IN ESCROW 6/08/2008	OWNER % IN ESCROW 6/08/2008	OWNER AMOUNT IN ESCROW 6/08/2008
			INTEREST	INTEREST	ESCROW INTEREST	ESCROW INTEREST			
2	Sarah Geneva Owens (Life Estate) Rt 2, Box 276 Honaker, VA 24260  Gary Roger and Agnes Geraldine Hurley Rt 1, Box 392 Vansant, VA 24656	75%	0.00738750	0.00738750	0.00985000	0.00985000	Bank Total - \$2017.32	75.00%	\$1,512.99
			0.00738750	0.00738750	0.00985000	0.00985000	Equitable Total - \$2017.32		\$1,512.99
2	Range Resources - Pine Mountain, Inc PO Box 2136 Abingdon, VA 24212	25%	0.00246250	0.00246250	0.00985000	0.00985000	Bank Total - \$2017.32	25.00%	\$504.33
							Equitable Total - \$2017.32		\$504.33

Exhibit "E"  
VC-535926

No further escrowing

INSTRUMENT #090000718  
RECORDED IN THE CLERK'S OFFICE OF  
BUCHANAN COUNTY ON  
MARCH 12, 2009 AT 10:49AM

BEVERLY S. TILLER, CLERK  
RECORDED BY: NKE

INSTRUMENT #090001773  
RECORDED IN THE CLERK'S OFFICE OF  
BUCHANAN COUNTY ON  
JUNE 11, 2009 AT 03:35PM

BEVERLY S. TILLER, CLERK  
RECORDED BY: NKE