

V I R G I N I A:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: Chesapeake Appalachia LLC)
) 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 **WELL 826107**) 07/02/20-1882
)

LEGAL DESCRIPTION:)
))
))
DRILLING UNIT SERVED BY WELL NUMBERED)
826107 TO BE DRILLED IN THE LOCATION)
DEPICTED ON EXHIBIT A HERETO,)
Pine Mountain Oil & Gas Inc.)
13,000 Acre Tract)
Prater QUADRANGLE,)
Prater MAGISTERIAL DISTRICT,)
Buchanan 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. **February 20, 2007** 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: Topo Map.
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. 826107.
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. 826107, 2394.55 feet from Well No. 25197, 2439.33 feet from Well No. 25400, 2219.26 feet from proposed Well No. 826114, and 2234.05 feet from Well No. 25615, at the locations depicted on the Plat attached hereto;
8. Special Findings: The Board specifically and specially finds:
 - 8.1. Applicant is Chesapeake Appalachia LLC Applicant is duly authorized and qualified to transact business in the Commonwealth of Virginia;
 - 8.2. Applicant Chesapeake Appalachia LLC 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 on 100% percent of Subject Drilling Unit and the right to explore for, develop and produce Gas from same, i.e., Well No. 826107, as well as from reciprocal wells, i.e., Well Nos. 25197, 25400, 826114 & 25615.
 - 8.4. The proposed Well 826107 is located on a surface, coal, oil and gas tract known as Pine Mountain Oil & Gas Inc., 13,000 Acre Tract, and the surface, coal, gas and oil owner has consented to the proposed location for Well 826107 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 Nos. 25197, 25400, 826114 & 25615, 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 826107 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 300 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. 826107 to a depth of 6420 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 **Maxon, Big Lime, Weir, and Devonian Shale** from surface to a total depth of 6420 feet (Subject Formations");

8.8. Applicant proposes to drill Well 826107 a distance of 105.45 feet closer to Gas Well 25197, a distance of 60.67 feet closer to Gas Well 25400, a distance of 280.74 feet closer to proposed Gas Well 826114, and a distance of 265.95 feet closer to Gas Well 25615, than the 2500 feet mandated by statewide spacing;

8.9 Applicant proposes to complete and operate Well 826107 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.

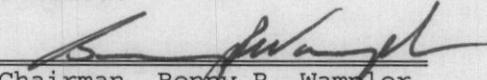
10. Availability of Unit Records: The Director shall provide all persons not subject to a lease with reasonable access to all records for Subject Drilling Unit which are submitted by the Unit Operator to said Director and/or his Inspector(s).

11. Conclusion: Therefore, the requested relief and all terms and provisions set forth above be and hereby are granted and IT IS SO ORDERED.

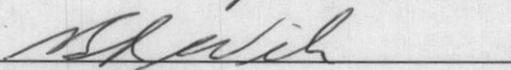
12. Appeals: Appeals of this Order are governed by the provisions of Va. Code Ann. § 45.1-361.9 which provides that any order or decision of the Board may be appealed to the appropriate circuit court. Such appeals must be taken in the manner prescribed in the Administrative Process Act, Va. Code Ann. § 9-6.14:1 et seq. and Rule 2A of the Rules of the Virginia Supreme Court.

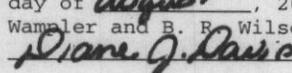
13. Effective Date: This Order shall be effective on the date of its execution.

DONE AND EXECUTED this 21st day of August, 2007 by a majority of the Virginia Gas and Oil Board.


Chairman, Benny R. Wampler

DONE AND PERFORMED this 21st day of August, 2007 by Order of this Board.


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

STATE OF VIRGINIA, COUNTY OF WASHINGTON
Acknowledged before me on this 21st day of August, 2007 by Benny Wampler and B. R. Wilson
 Notary Public
174394
My commission expires September 30, 2009

