

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

APPLICANT:	<b>Pine Mountain Oil and Gas, Inc.</b>	)	VIRGINIA GAS
		)	AND OIL BOARD
RELIEF SOUGHT	POOLING OF INTERESTS IN A 58.77	)	
	ACRE SQUARE DRILLING UNIT	)	DOCKET NO.
	DESCRIBED IN <b>EXHIBIT A</b> HERETO	)	<b>VGOB-07-0320-1907</b>
	LOCATED IN THE <b>NORA</b> COALBED	)	
	GAS FIELD AND SERVED BY WELL	)	
	NO. <b>Lovers Gap-37-CBM Unit 77-Z</b>	)	
	(herein "Subject Drilling Unit")	)	
	PURSUANT TO VA. CODE §§	)	
	45.1-361.21 AND 45.1-361.22, FOR	)	
	THE PRODUCTION OF OCCLUDED	)	
	NATURAL GAS PRODUCED FROM	)	
	COALBEDS AND ROCK STRATA	)	
	ASSOCIATED THEREWITH (herein	)	
	"Coalbed Methane Gas" or "Gas")	)	

LEGAL DESCRIPTION:

SUBJECT DRILLING UNIT SERVED BY WELL	)
NUMBERED <b>Lovers Gap-37-CBM Unit 77-Z</b> (herein	)
"Well") TO BE DRILLED IN THE LOCATION	)
DEPICTED ON <b>EXHIBIT A</b> HERETO,	)
<b>Pine Mountain Oil and Gas, Inc.</b>	)
<b>Ricky Deel Tract</b>	)
<b>11.50 Acres, more or less</b>	)
<b>PRATER QUADRANGLE</b>	)
<b>PRATER DISTRICT</b>	)
<b>BUCHANAN COUNTY, VIRGINIA</b>	)
(the "Subject Lands" are more particularly described	)
on <b>Exhibit A</b> , 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 **April 17, 2007, continued from March 20, 2007**, Southwest Virginia Higher Education Center, Campus of Virginia Highlands Community College, Abingdon, Virginia.

2. Appearances: **Timothy E. Scott of McKinnis and Scott**, appeared for the Applicant; **Leo Bailey and Connie Lou McClanahan** appeared *pro se*; 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., 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 and/or potential owner, i.e., person identified by Applicant as having ("Owner") or claiming ("Claimant") the rights to Coalbed Methane Gas in all Pennsylvanian aged coals from the top of the Aily, including but not limited to Raven, Jawbone Rider, Jawbone, Tiller, Upper Seaboard, Greasy Creek, Upper Horsepen, Middle Horsepen, War Creek, Lower Horsepen, Pocahontas #9, Pocahontas #8, Pocahontas #3, Pocahontas #2, Pocahontas #1 and any other unnamed coal seams, coalbeds and rock strata associated therewith known as the Nora Coalbed Gas Field (hereafter "Subject Formations") in the Subject Drilling Unit underlying and comprised of Subject Lands; (2) represented it has given notice to those parties so identified (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 and 45.1-361.22, to notice of the application filed herein; and (3) that the persons set forth in **Exhibit B-3** hereto have been identified by Applicant as persons who may be Owners or Claimants of Coalbed Methane Gas interests in Subject Formations in the Subject Drilling Unit who have not heretofore agreed to lease or sell to the Applicant and/or voluntarily pool their Gas interests. Conflicting Gas Owners/Claimants in the Subject Drilling Unit are listed on **Exhibit E**. 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) that pursuant to Va. Code § 45.1-361.22, including the applicable portions of § 45.1-361.21, the Board pool the rights, interests and estates in and to the Gas in the Subject Drilling Unit, including those of the Applicant and of the known and unknown persons named in **Exhibit B-3** hereto and that of their known and unknown heirs, executors, administrators, devisees, trustees, assigns and successors, both immediate and remote, for the drilling and operation, including production, of Coalbed Methane Gas produced from the Subject Drilling Unit established for the Subject Formations underlying and comprised of the Subject Lands, (hereafter sometimes collectively identified and referred to as "well development and/or operation in the Subject Drilling Unit"); and, (2) that the Board designate **Pine Mountain Oil and Gas, Inc.** as the Unit Operator.

7. Relief Granted: The requested relief in this cause shall be and hereby is granted and: (1) pursuant to Va. Code § 45.1-361.21.C.3, **Pine Mountain Oil and Gas, Inc.** (hereafter "Unit Operator" or "Operator") is designated as the Unit Operator authorized to drill and operate the Well in Subject Drilling Unit at the location depicted on the plat attached hereto as **Exhibit A**, subject to the permit provisions contained in Va. Code § 45.1-361.27, et seq., to § § 4 VAC 25-150 et seq., Gas and Oil Regulations; to § 4 VAC 25-160 et seq., Virginia Gas and Oil Board Regulations and to the Nora Coalbed Gas Field Rules established by the Oil and Gas Conservation Board's Order entered March 26, 1989; all as amended from time to time; and (2) all the interests and estates in and to the Gas in Subject Drilling Unit, including that of the Applicant, the Unit Operator and of the known and unknown persons listed on **Exhibit B-3**, attached hereto and made a part hereof, and their known and unknown heirs, executors, administrators, devisees, trustees, assigns and successors, both immediate and remote, be and hereby are pooled in the Subject Formations in the Subject Formation in the Subject Drilling Unit underlying and comprised of the Subject Lands.

Pursuant to the Nora Coal Field Rules promulgated under the authority of Va. Code § 45.1-361.20, the Board has adopted the following method for the calculation of production and revenue and allocation of allowable costs for the production of Coalbed Methane Gas.

For Frac Well Gas. - Gas shall be produced from and allocated to only the **58.77** acre drilling unit in which the well is located according to the undivided interests of each Owner/Claimant within the unit, which undivided interest shall be the ratio (expressed as a percentage) that the amount of mineral acreage within each separate tract that is within the Subject Drilling Unit, when platted on the surface, bears to the total mineral acreage, when platted on the surface, contained within the entire **58.77**-acre drilling unit in the manner set forth in the Nora Field Rules.

8. Election and Election Period: In the event any Owner or Claimant named in **Exhibit B-3** hereto does not reach a voluntary agreement to share in the operation of the well located in the Subject Drilling Unit, at a rate of payment mutually agreed to by said Gas Owner or Claimant and the Unit Operator, then such person named may elect one of the options set forth in Paragraph 9 below and must give written notice of his election of the option selected under Paragraph 9 to the designated Unit Operator at the address shown below within thirty (30) days from the date of receipt of a copy of this Order. A timely election shall be deemed to have been made if, on or before the last day of said 30-day period, such electing person has delivered his written election to the designated Unit Operator at the address shown below or has duly postmarked and placed its written election in first class United States mail, postage prepaid, addressed to the Unit Operator at the address shown below.

9. Election Options:

9.1 Option 1 - To Participate In the Well Development and Operation of the Drilling Unit: Any Gas Owner or Claimant named in **Exhibit B-3** who does not reach a voluntary agreement with the Unit Operator may elect to participate in the Well Development and Operation in the Subject Drilling Unit (hereafter "Participating Operator") by agreeing to pay the estimate of such Participating Operator's proportionate part of the actual and reasonable costs of the Well Development contemplated by this Order for Gas produced pursuant to the Nora Field Rules, including a reasonable supervision fee, a s m o r e p a r t i c u l a r l y s e t f o r t h i n Virginia Gas and Oil Board Regulation 4 VAC 25-160-100 (herein "Completed-for-Production Costs"). Further, a Participating Operator agrees to pay the estimate of such Participating Operator's proportionate part of the Completed-for-Production Cost as set forth below to the Unit Operator within forty-five (45) days from the later of the date of mailing or the date of recording of this Order. The Completed-for-Production Cost for the Subject Drilling Unit is as follows:

Completed-for-Production Costs:	<b>\$399,007.00</b>
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Any Gas Owner and/or Claimants named in **Exhibit B-3**, who elects this option (Option 1) understand and agree that their initial payment under this option is for their proportionate share of the Applicant's estimate of actual costs and expenses. It is also understood by all persons electing this option that they are agreeing to pay their proportionate share of the actual costs and expenses as determined by the Operator named in this Board Order.

A Participating Operator's proportionate cost hereunder shall be the result obtained by multiplying the Participating Operator's "Interest in Unit" times the Completed-for-Production Cost set forth above. Provided, however, that in the event a Participating Operator elects to participate and fails or refuses to pay the estimate of his proportionate part of the Completed-for-Production Cost as set forth above, all within the time set forth herein and in the manner prescribed in Paragraph 8 of this Order, then such Participating

Operator shall be deemed to have elected not to participate and to have elected compensation in lieu of participation pursuant to Paragraph 9.2 herein.

- 9.2 Option 2 - To Receive A Cash Bonus Consideration: In lieu of participating in the Well Development and Operation in the Subject Drilling Unit under Paragraph 9.1 above, any Gas Owner or Claimant named in **Exhibit B-3** hereto who has not reached a voluntary agreement with the Unit Operator may elect to accept a cash bonus consideration of **\$6.00** per net mineral acre owned by such person, commencing upon entry of this Order and continuing annually until commencement of production from Subject Drilling Unit, and thereafter a royalty of 1/8th of 8/8ths [twelve and one-half percent (12.5%)] of the net proceeds received by the Unit Operator for the sale of the Gas produced from any Well development and operation covered by this Order multiplied by that person's Interest Within Unit as set forth in **Exhibit B-3** [for purposes of this Order, net proceeds shall be actual proceeds received less post-production costs incurred downstream of the wellhead, including, but not limited to, gathering, compression, treating, transportation and marketing costs, whether performed by Unit Operator or a third person] as fair, reasonable and equitable compensation to be paid to said Gas Owner or Claimant. The initial cash bonus shall become due and owing when so elected and shall be tendered, paid or escrowed within one hundred twenty (120) days of recording of this Order. Thereafter, annual cash bonuses, if any, shall become due and owing on each anniversary of the date of recording of this Order in the event production from Subject Drilling Unit has not theretofore commenced, and once due, shall be tendered, paid or escrowed within sixty (60) days of said anniversary date. Once the initial cash bonus and the annual cash bonuses, if any, are so paid or escrowed, said payment(s) shall be satisfaction in full for the right, interests, and claims of such electing person in and to the Gas produced from Subject Formation in the Subject Lands, except, however, for the 1/8th royalties due hereunder.

Subject to a final legal determination of ownership, the election made under this Paragraph 9.2, when so made, shall be satisfaction in full for the right, interests, and claims of such electing person in any well development and operation covered hereby and such electing person shall be deemed to have and hereby does lease and assign its right, interests, and claims in and to the Gas produced from Subject Formation in the Subject Drilling Unit to the Applicant.

- 9.3 Option 3 - To Share In The Development And Operation As A Non-Participating Person On A Carried Basis And To Receive Consideration In Lieu Of Cash: In lieu of participating in the Well development and operation of Subject Drilling Unit under Paragraph 9.1 above and in lieu of receiving a cash bonus consideration under Paragraph 9.2 above, any Gas Owner or Claimant named in **Exhibit B-3** who has not reached a voluntary agreement with the Unit Operator may elect to share in the well development and operation in Subject Drilling Unit on a carried basis (as a "Carried Well Operator") so that the proportionate part of the Completed-for-Production Costs hereby allocable to such Carried Well Operator's interest is charged against such Carried Well Operator's share of production from Subject Drilling Unit. Such Carried Well Operator's rights, interests, and claims in and to the Gas in Subject Drilling Unit shall be deemed and hereby are assigned to the Unit Operator until the proceeds from the sale of such Carried Well Operator's share of production from Subject Drilling Unit (exclusive of any royalty, excess or burden reserved in any lease, assignment thereof or agreement relating thereto covering such interest) equals three hundred percent (300%) for a leased interest or two hundred percent (200%) for an unleased interest (whichever is applicable) of such Carried Well Operator's share of the Completed-for-Production Costs allocable to the interest of such Carried Well Operator. When the Unit Operator recoups and recovers from such Carried Well Operator's assigned interest the amounts provided for

above, then, the assigned interest of such Carried Well Operator shall automatically revert back to such Carried Well Operator, and from and after such reversion, such Carried Well Operator shall be treated as if it had participated initially under Paragraph 9.1 above; and thereafter, such participating person shall be charged with and shall pay his proportionate part of all further costs of such well development and operation.

Subject to final legal determination of ownership, the election made under this Paragraph 9.3, when so made, shall be satisfaction in full for the right, interests, and claims of such electing person in any Well development and operation covered hereby and such electing person shall be deemed to have and hereby does lease and assign his right, interests, and claims in and to the Gas produced from Subject Formations in the Subject Drilling Unit to the Applicant for the period of time during which its interest is carried as above provided prior to its reversion back to such electing person.

10. Failure to Properly Elect: In the event an unleased person named in **Exhibit B-3** hereto has not reached a voluntary agreement with the Applicant or Unit Operator and fails to elect within the time, in the manner, and in accordance with the terms of this Order, one of the alternatives set forth in Paragraph 9 above for which his interest qualifies, then such person shall be deemed to have elected not to participate in the proposed Well development and operation in Subject Drilling Unit and shall be deemed, subject to a final legal determination of ownership, to have elected to accept as satisfaction in full for such person's right, interests, and claims in and to the Gas the consideration provided in Paragraph 9.2 above for which its interest qualifies, and shall be deemed to have leased and/or assigned his right, interests, and claims in and to the Gas produced from Subject Formations in Subject Drilling Unit to the Unit Operator. Persons who fail to properly elect shall be deemed, subject to a final legal determination of ownership, to have accepted the compensation and terms set forth herein at Paragraph 9.2 in satisfaction in full for the right, interests, and claims of such person in and to the Gas produced from Subject Formations underlying Subject Lands.

11. Default By Participating Person: In the event an unleased person named in **Exhibit B-3** elects to participate under Paragraph 9.1, but fails or refuses to pay, to secure the payment or to make an arrangement with the Unit Operator for the payment of such person's proportionate part of the estimated Completed-for-Production Costs as set forth herein, all within the time and in the manner as prescribed in this Order, then such person shall be deemed to have withdrawn his election to participate and shall be deemed to have elected to accept as satisfaction in full for such person's right, interests, and claims in and to the Gas the consideration provided in Paragraph 9.2 above for which his interest qualifies depending on the excess burdens attached to such interest. Whereupon, any cash bonus consideration due as a result of such deemed election shall be tendered, paid or escrowed by Unit Operator within one hundred twenty (120) days after the last day on which such defaulting person under this Order should have paid his proportionate part of such cost or should have made satisfactory arrangements for the payment thereof. When such cash bonus consideration is paid or escrowed, it shall be satisfaction in full for the right, interests, and claims of such person in and to the Gas underlying Subject Drilling Unit in the Subject Lands covered hereby, except, however, for any royalties which would become due pursuant to Paragraph 9.2 hereof.

12. Assignment of Interest: In the event an unleased person named in **Exhibit B-3** is unable to reach a voluntary agreement to share in the Well development and operation in Subject Drilling Unit contemplated by this Order at a rate of payment agreed to mutually by said Gas Owner or Claimant and the Unit Operator, and said person elects or fails to elect to do other than participate under Paragraph 9.1 above, then subject to a final legal determination of ownership, such person shall be deemed to have and shall have assigned unto Unit Operator such person's right, interests, and claims in and to said Well, in Subject Formations in Subject Drilling Unit, and other share in and to Gas production to which such person may be entitled by reason of any election or deemed election hereunder in accordance with the provisions of this Order governing said election.

13. Unit Operator (or Operator): **Pine Mountain Oil and Gas, Inc.** shall be and hereby is designated as Unit Operator authorized to drill and operate the Well(s) in Subject Formations in Subject Drilling Unit, all subject to the permit provisions contained in Va. Code § § 45.1-361.27 et seq.; §§ 4 VAC 25-150 et seq., Gas and Oil Regulations; §§ 4 VAC 25-160 et seq., Virginia Gas and Oil Board Regulations; Oil and Gas Conservation Board ("OGCB") Order establishing the Nora Coalbed Gas Field Rules entered March 26, 1989; all as amended from time to time, and all elections required by this Order shall be communicated to Unit Operator in writing at the address shown below:

**Pine Mountain Oil and Gas, Inc.  
406 West Main Street  
P. O. Box 2136  
Abingdon, VA 24212  
Phone: (276) 619-2583  
Fax: (276) 628-7246  
Attn: Phil Horn**

14. Commencement of Operations: Unit Operator shall commence or cause to commence operations for the drilling of the Well within Subject Drilling Unit within seven hundred thirty (730) days from the date of this Order, and shall prosecute the same with due diligence. If the Unit Operator has not so commenced and/or prosecuted, then this Order shall terminate, except for any cash sums then payable hereunder; otherwise, unless sooner terminated by Order of the Board, this Order shall expire at 12:00 p.m. on the date on which the well covered by this Order is permanently abandoned and plugged. However, in the event an appeal is taken from this Order, then the time between the filing of the Petition for Appeal and the Final Order of the Circuit Court shall be excluded in calculating the two-year period referenced herein.

15. Operator's Lien: Unit Operator, in addition to the other rights afforded hereunder, shall have a lien and a right of set off on the Gas estates, rights, and interests owned by any person subject hereto who elects to participate under Paragraph 9.1 in the Subject Drilling Unit to the extent that costs incurred in the drilling or operation on the Subject Drilling Unit are a charge against such person's interest. Such liens and right of set off shall be separable as to each separate person and shall remain liens until the Unit Operator drilling or operating the Well(s) has been paid the full amounts due under the terms of this Order.

16. Escrow Provisions: The Applicant represented to the Board that there **are no** unknown or unlocatable claimants in Subject Drilling Unit whose payments are subject to the provisions of Paragraph 16.1 hereof; and, the Unit Operator has represented to the Board that there **are** conflicting claimants in **Tract 1, Tract 2, Tract 3, Tract 4, Tract 7, Tract 8, Tract 9, Tract 10, Tract 11, Tract 12, and Tract 13** of the Subject Drilling Unit whose payments are subject to the provisions of Paragraph 16.2 hereof. Therefore, by this Order, the Escrow Agent named herein or any successor named by the Board, **is** required to establish an interest-bearing escrow account for **Tract 1, Tract 2, Tract 3, Tract 4, Tract 7, Tract 8, Tract 9, Tract 10, Tract 11, Tract 12, and Tract 13** of the Subject Drilling Unit (herein "Escrow Agent"), and to receive and account to the Board pursuant to its agreement for the escrowed funds hereafter described in Paragraphs 16.1 and 16.2:

Wachovia Bank, N.A.  
VA 7515  
P.O. Box 14061  
Roanoke, VA 24038  
Attention: Judy Barger

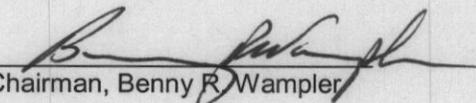
16.1 Escrow Provisions For Unknown or Unlocatable Persons: If any payment of bonus, royalty payment or other payment due and owing under this Order cannot be made

because the person entitled thereto cannot be located or is unknown, then such cash bonus, royalty payment, or other payment shall not be commingled with any funds of the Unit Operator and, pursuant to Va. Code § 45.1-361.21.D, said sums shall be deposited by the Unit Operator into the Escrow Account, commencing within one hundred twenty (120) days of recording of this Order, and continuing thereafter on a monthly basis with each deposit to be made, by use of a report format approved by the Inspector, by a date which is no later than sixty (60) days after the last day of the month being reported and/or for which funds are being deposited. Such funds shall be held for the exclusive use of, and sole benefit of the person entitled thereto until such funds can be paid to such person(s) or until the Escrow Agent relinquishes such funds as required by law or pursuant to Order of the Board in accordance with Va. Code § 45.1-361.21.D.

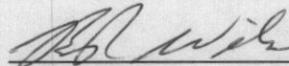
- 16.2 Escrow Provisions For Conflicting Claimants: If any payment of bonus, royalty payment, proceeds in excess of ongoing operational expenses, or other payment due and owing under this Order cannot be made because the person entitled thereto cannot be made certain due to conflicting claims of ownership and/or a defect or cloud on the title, then such cash bonus, royalty payment, proceeds in excess of ongoing operational expenses, or other payment, together with Participating Operator's Proportionate Costs paid to the Unit Operator pursuant to Paragraph 9.1 hereof, if any, (1) shall not be commingled with any funds of the Unit Operator; and (2) shall, pursuant to Va. Code § 45.1-361.22.A.2, 45.1-361.22.A.3 and 45.1-361.22.A.4, be deposited by the Operator into the Escrow Account within one hundred twenty (120) days of the recording of this Order, and continuing thereafter on a monthly basis with each deposit to be made by a date which is no later than sixty (60) days after the last day of the month being reported and/or for which funds are subject to deposit. Such funds shall be held for the exclusive use of, and sole benefit of, the person entitled thereto until such funds can be paid to such person(s) or until the Escrow Agent relinquishes such funds as required by law or pursuant to Order of the Board.
17. Special Findings: The Board specifically and specially finds:
- 17.1 Applicant is **Pine Mountain Oil and Gas, Inc.** Applicant is duly authorized and qualified to transact business in the Commonwealth of Virginia;
- 17.2 Applicant **Pine Mountain Oil and Gas, Inc.** is an operator in the Commonwealth of Virginia, and has satisfied the Board's requirements for operations in Virginia;
- 17.3 Applicant **Pine Mountain Oil and Gas, Inc.** claims ownership of gas leases, Coalbed Methane Gas leases, and/or coal leases representing **57.14%** percent of the oil and gas interest/claims in and to Coalbed Methane Gas and **100.00%** percent of the coal interest/claims in and to Coalbed Methane Gas in Subject Drilling Unit; and, Applicant claims the right to explore for, develop and produce Coalbed Methane Gas from Subject Formations in Subject Drilling Unit in **Buchanan** County, Virginia, which Subject Lands are more particularly described in **Exhibit A**;
- 17.4 Applicant has proposed the drilling of the Subject Drilling Unit to a depth of **2,475** feet at the location depicted on **Exhibit A** to develop the pool of Gas in Subject Formations, and to complete and operate the Subject Drilling Unit for the purpose of producing Coalbed Methane Gas;
- 17.5 The estimated total production from Subject Drilling Unit is **275 mmcf**. The estimated amount of reserves from the Subject Drilling Unit is **275 mmcf**;

- 17.6 Set forth in **Exhibit B-3** is the name and last known address of each Owner or Claimant identified by the Applicant as having or claiming an interest in the Coalbed Methane Gas in Subject Formations in Subject Drilling Unit underlying and comprised of Subject Lands, who has not, in writing, leased to the Applicant or the Unit Operator or agreed to voluntarily pool his interests in Subject Drilling Unit for its development. The interests of the Respondents listed in **Exhibit B-3** comprise **42.86** percent of the oil and gas interests/claims in and to the Coalbed Methane Gas and **zero (0.00)** percent of the coal interests/claims in and to the Coalbed Methane Gas in Subject Drilling Unit;
- 17.7 Applicant's evidence established that the fair, reasonable and equitable compensation to be paid to any person in lieu of the right to participate in the Wells are those options provided in Paragraph 9 above;
- 17.8 The relief requested and granted is just and reasonable, is supported by substantial evidence and will afford each unleased person listed and named in **Exhibit B-3** hereto the opportunity to recover or receive, without unnecessary expense, such person's just and fair share of the production from Subject Drilling Unit. The granting of the Application and relief requested therein will ensure to the extent possible the greatest ultimate recovery of Coalbed Methane Gas, prevent or assist in preventing the various types of waste prohibited by statute and protect or assist in protecting the correlative rights of all persons in the subject common sources of supply in the Subject Lands. Therefore, the Board is entering an Order granting the relief herein set forth.
18. 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 recording of this Order stating that a true and correct copy of said Order was mailed within seven (7) days from the date of its receipt by Unit Operator to each Respondent named in **Exhibit B-3** pooled by this Order and whose address is known.
19. 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).
20. Conclusion: Therefore, the requested relief and all terms and provisions set forth above be and hereby are granted and **IT IS SO ORDERED.**
21. 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.
22. Effective Date: This Order shall be effective as of the date of the Board's approval of this Application, which is set forth at Paragraph 1 above.

DONE AND EXECUTED this 19<sup>th</sup> day of June, 2007, by a majority of the Virginia Gas and Oil Board.

  
Chairman, Benny R. Wampler

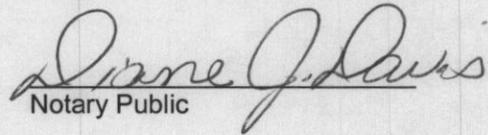
DONE AND PERFORMED this 19<sup>th</sup> day of June, 2007, by Order of this Board.



B. R. Wilson  
Principal Executive To The Staff  
Virginia Gas and Oil Board

STATE OF VIRGINIA  
COUNTY OF Washington

Acknowledged on this 19<sup>th</sup> day of June, 2007, 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.

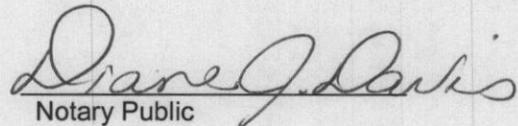


Notary Public

My commission expires: 9-30-09

STATE OF VIRGINIA )  
COUNTY OF WASHINGTON )

Acknowledged on this 19<sup>th</sup> day of June, 2007, 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: 9-30-09

Well Coordinates: (Geographic N27)  
37.218765° -82.164973°

Latitude 37° 15' 00"

DMLR Permit  
No. 1101060

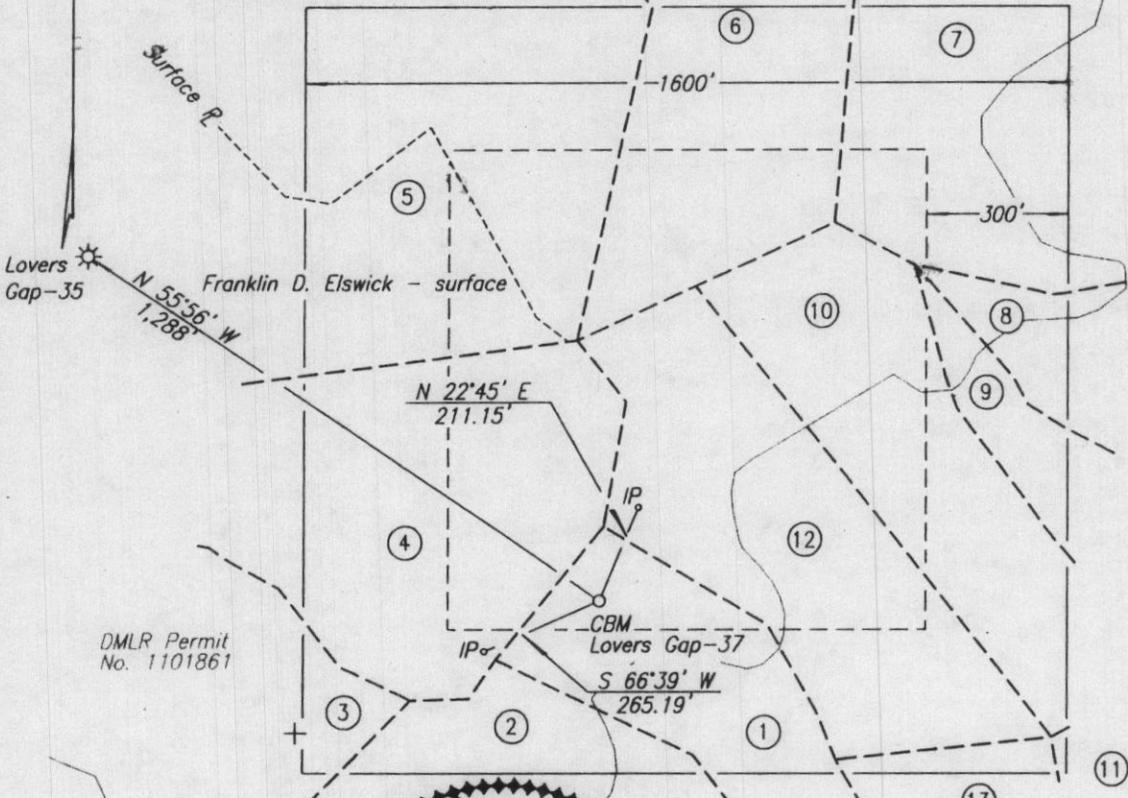
Industrial Development Authority  
of Buchanan County, Va. - surface

DMLR Permit  
No. 1101861

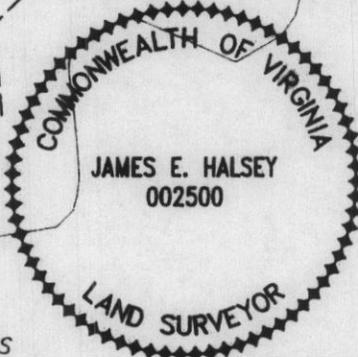
DMLR Permit  
No. 1101060

Longitude 82° 07' 30"

11,375'



DMLR Permit  
No. 1101861



Well elevation determined by GPS  
Survey from BM MCD 229

Area of Unit = 58.77 Ac.

Well Coordinates: (VA St. Plane S. Zone,  
Calculated from CCC coordinates)  
N 343,081 E 933,080

Well Coordinates: (Clinchfield Coal Co.)  
N 43,260.17 E 63,718.60

WELL LOCATION PLAT

COMPANY Pine Mountain Oil & Gas WELL NAME AND NUMBER Lovers Gap-37  
 TRACT NO. Ricky Deel ELEVATION 2,133.54' QUADRANGLE Prater  
 COUNTY Buchanan DISTRICT Prater SCALE 1" = 400' DATE 2-12-2007  
 This Plat is a new plat x; an updated plat     ; or a final location plat     

+ 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.

James E. Halsey  
 Licensed Professional Engineer or Licensed Land Surveyor

EXHIBIT A

10 -

**EXHIBIT B-3  
PARTIES WHO HAVE NOT REACHED A VOLUNTARY AGREEMENT  
WITH OPERATOR  
LOVERS GAP-37-CBM UNIT 77-Z  
DOCKET NO. VGOB-07-0320-1907**

<u>TRACT</u>	<u>LESSOR</u>	<u>LEASE STATUS</u>	<u>INTEREST WITHIN UNIT</u>	<u>GROSS ACREAGE IN UNIT</u>
	Johnny Bailey Route 1, Box 570 B Vansant, VA 24656	Unleased	0.10666667%	0.06222222
	Mable Bailey Gibbs Route 1, Box 528 Grundy, VA 24614	Unleased	0.10666667%	0.06222222
	Pansy Bailey Hawkins 293 Gray Station Road Gray, TN 37615	Unleased	0.10666667%	0.06222223
	Pearley Marie Bailey Federal Medical Center Satellite Camp P. O. Box 14525 Lexington, KY 40512	Unleased	0.10666667%	0.06222223
	<b>TOTAL GAS ESTATE</b>		<b>42.86000000%</b>	<b>25.18000000</b>

**Lover's Gap-37 PLAT**  
**TRACT OWNERSHIP INFORMATION SCHEDULE**

2/12/2007

- 1 . Lease No. 450270029  
Ricky Deel - surface, oil & gas  
11.5 Acres  
ACIN LLC - coal (except Splasdam & Clintwood seams)  
Alpha Land & Reserves LLC - coal lessee  
WBRD LLC - coal (except Splasdam & Clintwood seams)  
Penn Virginia Operating Company, LLC - coal (Splashdam & Clintwood seams only)  
Paramont Coal Company Virginia LLC - coal lessee  
Pine Mountain Oil & Gas, Inc - CBM  
Gas 4.47 Ac. 7.60%
  
- 2 . Gordon Deel - surface, oil & gas  
14.436 Acres  
ACIN LLC - coal (except Splasdam & Clintwood seams)  
Alpha Land & Reserves LLC - coal lessee  
WBRD LLC - coal (except Splasdam & Clintwood seams)  
Penn Virginia Operating Company, LLC - coal (Splashdam & Clintwood seams only)  
Paramont Coal Company Virginia LLC - coal lessee  
Pine Mountain Oil & Gas, Inc - CBM  
Gas 2.28 Ac. 3.88%
  
- 3 . Lease No. 450270014  
Devey Gordon Owens - surface, oil & gas  
65.25 Acres  
ACIN LLC - coal (except Splasdam & Clintwood seams)  
Alpha Land & Reserves LLC - coal lessee  
WBRD LLC - coal (except Splasdam & Clintwood seams)  
Penn Virginia Operating Company, LLC - coal (Splashdam & Clintwood seams only)  
Paramont Coal Company Virginia LLC - coal lessee  
Pine Mountain Oil & Gas, Inc - CBM  
Gas 0.84 Ac. 1.43%
  
- 4 . Lease No. 450270010  
28 Acres  
Franklin D. Elswick - surface, oil & gas  
ACIN LLC - coal (except Splasdam & Clintwood seams)  
Alpha Land & Reserves LLC - coal lessee  
WBRD LLC - coal (except Splasdam & Clintwood seams)  
Penn Virginia Operating Company, LLC - coal (Splashdam & Clintwood seams only)  
Paramont Coal Company Virginia LLC - coal lessee  
Pine Mountain Oil & Gas, Inc - CBM  
Gas 8.88 Ac. 15.11%
  
- 5 . E. S. Finney  
185.23 acres  
ACIN LLC - coal  
Alpha Land & Reserves LLC - coal lessee  
Pine Mountain Oil & Gas, Inc. - oil, gas & CBM  
Gas 10.84 Ac. 18.44%

- 6 . Mary Owens  
58.8261 Acres  
ACIN LLC - coal (all except Splashdam & Clintwood seams)  
Alpha Land & Reserves LLC - coal lessee  
WBRD LLC - coal (all except Splashdam & Clintwood seams)  
Penn Virginia Operating Company, LLC - coal (Splashdam & Clintwood seams only)  
Paramont Coal Company Virginia LLC - coal lessee  
Pine Mountain Oil & Gas, Inc - oil, gas & CBM  
Gas 6.03 Ac. 10.26%
- 7 . Trudy Stanley - surface, oil & gas  
17.00 acres  
ACIN LLC - coal (except Splasdam & Clintwood seams)  
Alpha Land & Reserves LLC - coal lessee  
WBRD LLC - coal (except Splasdam & Clintwood seams)  
Penn Virginia Operating Company, LLC - coal (Splashdam & Clintwood seams only)  
Paramont Coal Company Virginia LLC - coal lessee  
Pine Mountain Oil & Gas, Inc - CBM  
Gas 6.00 Ac. 10.21%
- 8 . Lease No. 450270032  
Margie Yates - surface, oil & gas  
6.00 Acres  
ACIN LLC - coal (except Splasdam & Clintwood seams)  
Alpha Land & Reserves LLC - coal lessee  
WBRD LLC - coal (except Splasdam & Clintwood seams)  
Penn Virginia Operating Company, LLC - coal (Splashdam & Clintwood seams only)  
Paramont Coal Company Virginia LLC - coal lessee  
Pine Mountain Oil & Gas, Inc - CBM  
Gas 1.12 Ac. 1.90%
- 9 . Lease No. 450270034  
Corene Wagner - surface, oil & gas  
6.00 Acres  
ACIN LLC - coal (except Splasdam & Clintwood seams)  
Alpha Land & Reserves LLC - coal lessee  
WBRD LLC - coal (except Splasdam & Clintwood seams)  
Penn Virginia Operating Company, LLC - coal (Splashdam & Clintwood seams only)  
Paramont Coal Company Virginia LLC - coal lessee  
Pine Mountain Oil & Gas, Inc - CBM  
Gas 1.41 Ac. 2.40%
- 10 . Donna Jean Bailey - surface, oil & gas  
11.5 Acres  
ACIN LLC - coal (except Splasdam & Clintwood seams)  
Alpha Land & Reserves LLC - coal lessee  
WBRD LLC - coal (except Splasdam & Clintwood seams)  
Penn Virginia Operating Company, LLC - coal (Splashdam & Clintwood seams only)  
Paramont Coal Company Virginia LLC - coal lessee  
Pine Mountain Oil & Gas, Inc - CBM  
Gas 7.14 Ac. 12.15%

- 11 . Donna Jean Bailey - surface, oil & gas  
15.00 Acres  
ACIN LLC - coal (except Splasdam & Clintwood seams)  
Alpha Land & Reserves LLC - coal lessee  
WBRD LLC - coal (except Splasdam & Clintwood seams)  
Penn Virginia Operating Company, LLC - coal (Splashdam & Clintwood seams only)  
Paramont Coal Company Virginia LLC - coal lessee  
Pine Mountain Oil & Gas, Inc - CBM  
Gas 0.05 Ac. 0.09%
- 12 . Leo Bailey - surface, oil & gas  
10.00 Acres  
ACIN LLC - coal (except Splasdam & Clintwood seams)  
Alpha Land & Reserves LLC - coal lessee  
WBRD LLC - coal (except Splasdam & Clintwood seams)  
Penn Virginia Operating Company, LLC - coal (Splashdam & Clintwood seams only)  
Paramont Coal Company Virginia LLC - coal lessee  
Pine Mountain Oil & Gas, Inc - CBM  
Gas 9.15 Ac. 15.57%
- 13 . Leo Bailey, et al - surface, oil & gas  
9.75 Acres  
ACIN LLC - coal (except Splasdam & Clintwood seams)  
Alpha Land & Reserves LLC - coal lessee  
WBRD LLC - coal (except Splasdam & Clintwood seams)  
Penn Virginia Operating Company, LLC - coal (Splashdam & Clintwood seams only)  
Paramont Coal Company Virginia LLC - coal lessee  
Pine Mountain Oil & Gas, Inc - CBM  
Gas 0.56 Ac. 0.96%

**EXHIBIT B-3  
PARTIES WHO HAVE NOT REACHED A VOLUNTARY AGREEMENT  
WITH OPERATOR  
LOVERS GAP-37-CBM UNIT 77-Z  
DOCKET NO. VGOB-07-0320-1907**

<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>		
2	Gordon Deel Route 1, Box 561 Vansant, VA 24656	Unleased	3.88000000%	2.28000000
7	Trudy Stanley 4491 Woodhaven Drive Morristown, TN 37813	Unleased	10.21000000%	6.00000000
10	Donna Jean Bailey 1139 Little Creek Road Pikeville, KY 41501	Unleased	12.15000000%	7.14000000
11	Donna Jean Bailey 1139 Little Creek Road Pikeville, KY 41501	Unleased	0.09000000%	0.05000000
12	Leo Bailey Route 1, Box 570 C Vansant, VA 24656	Unleased	15.57000000%	9.15000000
13	Leo Bailey Route 1, Box 570 C Vansant, VA 24656	Unleased	0.10666667%	0.06222222
	Arnold Bailey Route 1, Box 512 Vansant, VA 24656	Unleased	0.10666667%	0.06222222
	Connie Lou McClanahan Route 1, Box 161 B Grundy, VA 24614	Unleased	0.10666667%	0.06222222
	Donna Jean Bailey 1139 Little Creek Road Pikeville, KY 41501	Unleased	0.10666667%	0.06222222
	Everett Bailey P. O. Box 118 Vansant, VA 24656	Unleased	0.10666667%	0.06222222

**EXHIBIT E**  
**LIST OF CONFLICTING OWNERS/CLAIMANTS THAT REQUIRE ESCROW**  
**LOVERS GAP-37-CBM UNIT 77-Z**  
**DOCKET NO. VGOB-07-0320-1907**

<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>		
1	Ricky Deel Route 1, Box 563 A Vansant, VA 24656	Leased	7.60000000%	4.47000000
2	Gordon Deel Route 1, Box 561 Vansant, VA 24656	Unleased	3.88000000%	2.28000000
3	Devey Gordon Owens P. O. Box 675 Vansant, VA 24656	Leased	1.43000000%	0.84000000
4	Franklin D. Elswick 21744 Spoon Gap Road Abingdon, VA 24211	Leased	15.11000000%	8.88000000
7	Trudy Stanley 4491 Woodhaven Drive Morristown, TN 37813	Unleased	10.21000000%	6.00000000
8	Margie Yates 26820 Eunice Avenue Defiance, OH 43512	Leased	1.90000000%	1.12000000
9	Corene Wagner Route 1, Box 574 A Vansant, VA 24656	Leased	2.40000000%	1.41000000
10	Donna Jean Bailey 1139 Little Creek Road Pikeville, KY 41501	Unleased	12.15000000%	7.14000000
11	Donna Jean Bailey 1139 Little Creek Road Pikeville, KY 41501	Unleased	0.09000000%	0.05000000
12	Leo Bailey Route 1, Box 570 C Vansant, VA 24656	Unleased	15.57000000%	9.15000000

**EXHIBIT E**  
**LIST OF CONFLICTING OWNERS/CLAIMANTS THAT REQUIRE ESCROW**  
**LOVERS GAP-37-CBM UNIT 77-Z**  
**DOCKET NO. VGOB-07-0320-1907**

<u>TRACT</u>	<u>LESSOR</u>	<u>LEASE STATUS</u>	<u>INTEREST WITHIN UNIT</u>	<u>GROSS ACREAGE IN UNIT</u>
13	Leo Bailey Route 1, Box 570 C Vansant, VA 24656	Unleased	0.10666667%	0.06222222
	Arnold Bailey Route 1, Box 512 Vansant, VA 24656	Unleased	0.10666667%	0.06222222
	Connie Lou McClanahan Route 1, Box 161 B Grundy, VA 24614	Unleased	0.10666667%	0.06222222
	Donna Jean Bailey 1139 Little Creek Road Pikeville, KY 41501	Unleased	0.10666667%	0.06222222
	Everett Bailey P. O. Box 118 Vansant, VA 24656	Unleased	0.10666667%	0.06222222
	Johnny Bailey Route 1, Box 570 B Vansant, VA 24656	Unleased	0.10666667%	0.06222222
	Mable Bailey Gibbs Route 1, Box 528 Grundy, VA 24614	Unleased	0.10666667%	0.06222222
	Pansy Bailey Hawkins 293 Gray Station Road Gray, TN 37615	Unleased	0.10666667%	0.06222223
	Pearley Marie Bailey Federal Medical Center Satellite Camp P. O. Box 14525 Lexington, KY 40512	Unleased	0.10666667%	0.06222223
	<b>TOTAL GAS ESTATE</b>		<b>71.30000000%</b>	<b>41.90000000</b>

**EXHIBIT E**  
**LIST OF CONFLICTING OWNERS/CLAIMANTS THAT REQUIRE ESCROW**  
**LOVERS GAP-37-CBM UNIT 77-Z**  
**DOCKET NO. VGOB-07-0320-1907**

<u>TRACT</u>	<u>LESSOR</u>	<u>LEASE STATUS</u>	<u>INTEREST WITHIN UNIT</u>	<u>GROSS ACREAGE IN UNIT</u>
<u>CBM Estate Only</u>				
1	Pine Mountain Oil and Gas, Inc. Attn: Jerry Grantham P. O. Box 2136 Abingdon, VA 24212	Owner	7.60000000%	4.47000000
2	Pine Mountain Oil and Gas, Inc. Attn: Jerry Grantham P. O. Box 2136 Abingdon, VA 24212	Owner	3.88000000%	2.28000000
3	Pine Mountain Oil and Gas, Inc. Attn: Jerry Grantham P. O. Box 2136 Abingdon, VA 24212	Owner	1.43000000%	0.84000000
4	Pine Mountain Oil and Gas, Inc. Attn: Jerry Grantham P. O. Box 2136 Abingdon, VA 24212	Owner	15.11000000%	8.88000000
7	Pine Mountain Oil and Gas, Inc. Attn: Jerry Grantham P. O. Box 2136 Abingdon, VA 24212	Owner	10.21000000%	6.00000000
8	Pine Mountain Oil and Gas, Inc. Attn: Jerry Grantham P. O. Box 2136 Abingdon, VA 24212	Owner	1.90000000%	1.12000000
9	Pine Mountain Oil and Gas, Inc. Attn: Jerry Grantham P. O. Box 2136 Abingdon, VA 24212	Owner	2.40000000%	1.41000000
10	Pine Mountain Oil and Gas, Inc. Attn: Jerry Grantham P. O. Box 2136 Abingdon, VA 24212	Owner	12.15000000%	7.14000000

10  
1/2  
30

**EXHIBIT E**  
**LIST OF CONFLICTING OWNERS/CLAIMANTS THAT REQUIRE ESCROW**  
**LOVERS GAP-37-CBM UNIT 77-Z**  
**DOCKET NO. VGOB-07-0320-1907**

<u>TRACT</u>	<u>LESSOR</u>	<u>LEASE STATUS</u>	<u>INTEREST WITHIN UNIT</u>	<u>GROSS ACREAGE IN UNIT</u>
11	Pine Mountain Oil and Gas, Inc. Attn: Jerry Grantham P. O. Box 2136 Abingdon, VA 24212	Owner	0.09000000%	0.05000000
12	Pine Mountain Oil and Gas, Inc. Attn: Jerry Grantham P. O. Box 2136 Abingdon, VA 24212	Owner	15.57000000%	9.15000000
13	Pine Mountain Oil and Gas, Inc. Attn: Jerry Grantham P. O. Box 2136 Abingdon, VA 24212	Owner	0.96000000%	0.56000000
<b>TOTAL CBM GAS ESTATE</b>			<b>71.30000000%</b>	<b>41.90000000</b>

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VIRGINIA: In the Clerk's Office of the Circuit Court of Buchanan County. The foregoing instrument was this day presented in the office aforesaid and is, together with the certificate of acknowledgement annexed, admitted to record this 21st day of June, 20 07. Instrument No. 670802318 TESTE: Beverly S. Tiller, Clerk  
 Returned to: Dmme TESTE: Beverly S. Tiller ~~Deputy~~ Clerk