

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

|               |  |   |                          |
|---------------|--|---|--------------------------|
| APPLICANT:    | <u>Pine Mountain Oil and Gas, Inc.</u> | ) | VIRGINIA GAS             |
|               |  | ) | AND OIL BOARD            |
| RELIEF SOUGHT | <b>EXCEPTION TO STATEWIDE SPACING</b>  | ) |                          |
|               | LIMITATIONS PRESCRIBED BY              | ) | DOCKET NO.               |
|               | VA. CODE § 45.1-361.17 (a) (2)         | ) | <u>VGOB-07-0821-2005</u> |
|               | FOR <u>WELL NO. V-530017</u>           | ) |                          |

LEGAL DESCRIPTION:

DRILLING UNIT SERVED BY WELL  
NUMBERED V-530017  
TO BE DRILLED IN THE LOCATION  
DEPICTED ON EXHIBIT A HERETO,  
Pine Mountain Oil and Gas, Inc.'s  
W. T. Goodloe Tract  
556.33 Acres, more or less  
NORA QUADRANGLE  
KENADY 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 **August 21, 2007**, Southwest Virginia Higher Education Center, Campus of Virginia Highlands Community College, Abingdon, Virginia.
2. Appearances: **Timothy E. Scott of McKinnis & Scott**, 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; and (2) 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. 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. Relief Requested: Applicant requests an exception to the statewide spacing limitations set forth in Va. Code § 45.1-361.17 for **Well No. V-530017**.
5. Relief Granted: The requested relief in this cause shall be and hereby is granted. The Board hereby grants Applicant consent to permit and drill proposed **Well No. V-530017**, **1,161** feet from existing Equitable Gas Well No. **P-286**; **1,845** feet from existing Equitable Gas Well No. **P-332**; and **1,950** feet from existing Equitable Gas Well No. **P-12**, at the locations depicted on the Plat attached hereto as **Exhibit A**.
6. Special Findings: The Board specifically and specially finds:
  - 6.1 Applicant is **Pine Mountain Oil and Gas, Inc.** Applicant is duly authorized and qualified to transact business in the Commonwealth of Virginia;
  - 6.2 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;
  - 6.3 Applicant claims ownership of Conventional Gas Leases of Subject Drilling Unit and the right to explore for, develop and produce Gas from Well No. **V-530017**, as well as the right to participate and develop the reciprocal wells, being Well Nos. **P-286**, **P-332**, and **P-12**;
  - 6.4 The proposed Well No. **V-530017** is located on the **W. T. Goodloe 556.33-Acre Tract** and the surface, coal, gas and oil owners have consented to the proposed location for Well No. **V-530017** that is depicted on the Plat attached hereto as Exhibit A;
  - 6.5 The Applicant testified it has the right to operate and participate in the development of the reciprocal wells **P-286**, **P-332**, and **P-12**, and that the granting of the application filed herein will not impact the correlative rights of any person;
  - 6.6 An exception to the well spacing requirements of Va. Code § 45.1-361.17 for Well No. **V-530017** 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 **350** million cubic feet of Conventional Gas underlying the Subject Drilling Unit, and to generally effect the purposes of the Virginia and Oil Act;
  - 6.7 Applicant proposes the drilling of Well No. **V-530017** to a depth of **6,300** feet on the Subject Drilling Unit at the location depicted on Exhibit A to produce all the Mississippian and Devonian Age formations including, but not limited to, **Ravenclyff**, **Maxon**, **Big Lime**, **Weir**, **Berea** and **Devonian Shale**, from surface to total depth drilled, **6,300** feet ("Subject Formations");
  - 6.8 Applicant proposes to drill Well No. **V-530017** a distance of **1,339** feet closer to existing Equitable Gas Well **P-286**, **655** feet closer to existing Equitable Gas Well **P-332**, and **550** feet closer to existing Equitable Gas Well **P-12** than the 2,500 feet mandated by statewide spacing;

6.9 Applicant proposes to complete and operate Well No. V-530017 for the purpose of producing Conventional Gas;

7. Conclusion: Therefore, the requested relief and all terms and provisions set forth 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 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.

9. 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.

Revised Exhibit A

DONE AND EXECUTED this 15<sup>th</sup> day of January, 2008, by a majority of the Virginia Gas and Oil Board.

Benny R. Wampler  
Chairman, Benny R. Wampler

DONE AND PERFORMED this 15<sup>th</sup> day of January, 2008, by Order of this Board.

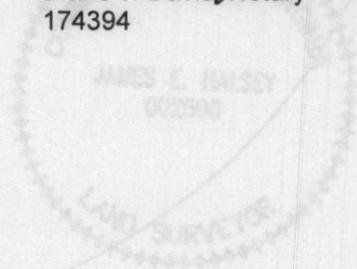
B. R. Wilson  
B. R. Wilson  
Principal Executive to the Staff  
Virginia Gas and Oil Board

STATE OF VIRGINIA )  
COUNTY OF WASHINGTON )

Acknowledged on this 15<sup>th</sup> day of January, 2008, 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, and 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 they executed the same and were authorized to do so.

Diane J. Davis  
Diane J. Davis, Notary  
174394

My commission expires: September 30, 2009



[c:\msword2000\pinemountaino&g\well.location.exception.v-530017.order]

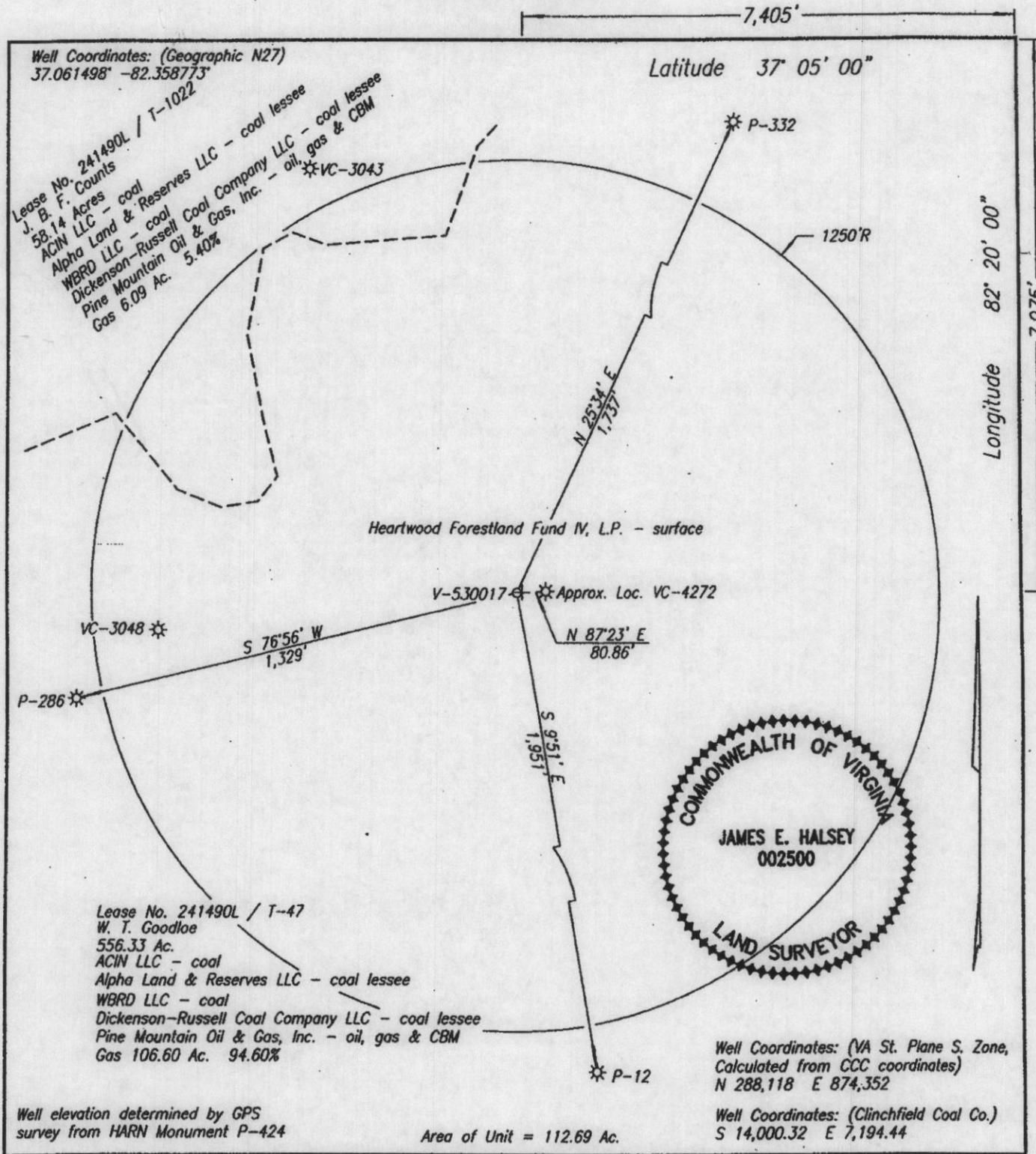
WELL LOCATION PLAT

COMPANY Pin Mountain Oil & Gas, Inc. WELL NAME AND NUMBER V-530017  
TRACT NO. Lot No. 24482 / 1-12 ELEVATION 2,220.22 QUADRANGLE Map 4  
COUNTY Dickinson DISTRICT Keokuk SCALE 1" = 400' DATE 1-20-2008

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  
Notary Public  
Licensed Land Surveyor

Revised Exhibit A



WELL LOCATION PLAT

COMPANY Pine Mountain Oil & Gas, Inc. WELL NAME AND NUMBER V-530017  
 TRACT NO. Lease No. 241490L / T-47 ELEVATION 2,220.22' QUADRANGLE Nora  
 COUNTY Dickenson DISTRICT Kenady SCALE 1" = 400' DATE 8-20-2007

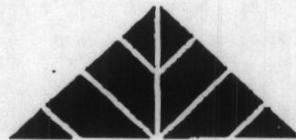
This Plat is a new plat x; an updated plat     ; or a final location plat     

+ 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

**PINE MOUNTAIN  
Oil and Gas, Inc.**

406 W. Main Street  
P.O. Box 2138  
Arlington, Virginia 24212  
Phone: (276) 628-9001  
Fax: (276) 628-7246



August 21, 2007

Mr. Steve Smith  
Dickenson-Russell Coal Company, LLC  
5703 Crutchfield Drive  
Norton, VA 24273

RE: Pine Mountain Oil and Gas, Inc. Well V-530017

Dear Mr. Smith,

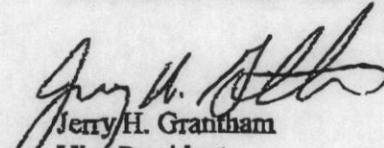
Pursuant to our conversation last Friday and to accommodate your future mining plans at the D-R-1 Mine, Pine Mountain Oil and Gas, Inc. agrees to move well V-530017 approximately 150 feet to the ENE so that it is within 100 feet of existing well VC-4272.

Dickenson-Russell Coal Company agrees that the original notice requirements for the location exception hearing with the Gas and Oil Board have been met and shall be considered proper and timely notice for this new location.

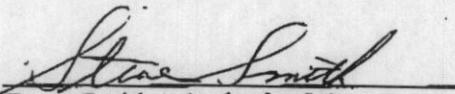
If you are in agreement, please execute and return by fax to (276) 628-7246 or e-mail to [jgrantham@gl-energy.com](mailto:jgrantham@gl-energy.com) no later than 9:00 a.m. tomorrow morning.

Sincerely,

PINE MOUNTAIN OIL & GAS, INC.

  
Jerry H. Grantham  
Vice President

AGREED TO AND EXECUTED this 21<sup>ST</sup> day of August, 2007.

  
Steve Smith - Authorized Agent