

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 826458**) 07/10/16-2062
)
LEGAL DESCRIPTION:)
)
DRILLING UNIT SERVED BY WELL NUMBERED)
826458 TO BE DRILLED IN THE LOCATION)
DEPICTED ON EXHIBIT A HERETO,)
Buchanan Energy Co. LLC)
Fee Tract)
Hurley QUADRANGLE,)
Knox 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. **October 16, 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. 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 (1) an exception to the statewide spacing limitations set forth in Va. Code § 45.1-361.17 for **Well No. 826458**.
5. 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. **826458, 2428.48** feet from Well No. **9046**, and drill proposed Well No. **826458, 2287.29** feet from Well No. **826457**, at the locations depicted on the Plat attached hereto;
6. Special Findings: The Board specifically and specially finds:
 - 6.1. Applicant is **Chesapeake Appalachia LLC** Applicant is duly authorized and qualified to transact business in the Commonwealth of Virginia;
 - 6.2. Applicant **Chesapeake Appalachia LLC** 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 on **100%** percent of Subject Drilling Unit and the right to explore for, develop and produce Gas from same, i.e., Well No. **826458**, as well as from reciprocal wells, i.e., Well No. **9046 & 826457**.
 - 6.4. The proposed Well **826458** is located on a surface, coal, oil and gas tract known as **Buchanan Energy Co. LLC, Fee Tract**, and the surface, coal, gas and oil owner has consented to the proposed location for Well **826458** that is depicted on the Plat attached hereto as Exhibit A;
 - 6.5. The Applicant testified it has the right to operate and develop the reciprocal Well Nos. **9046 & 826457** 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 **826458** 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 Subject Drilling Unit, and to generally effect the purposes of the Virginia Gas and Oil Act;
 - 6.7. Applicant proposes the drilling of Well No. **826458** to a depth of **5660** 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 **Ravenclyff, Brady, Big Lime, Weir, Berea, Gordon and Devonian Shale** from surface to a total depth of **5660 feet** (Subject Formations");

6.8. Applicant proposes to drill Well No. 826458 a distance of 71.52 feet closer to Gas Well 9046, and a distance of 212.71 feet closer to Gas Well 826457, than the 2500 feet mandated by statewide spacing;

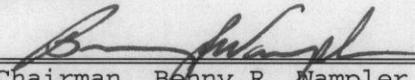
8.9 Applicant proposes to complete and operate Well 826458 for the purpose of producing Conventional Gas;

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 as of the date of the Board's approval of this Application, which is set forth at Paragraph 1 above.

DONE AND EXECUTED this 5th day of December, 2007 by a majority of the Virginia Gas and Oil Board.

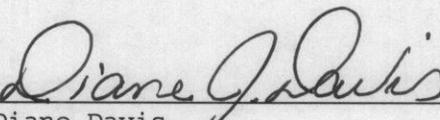

Chairman, Benny R. Wampler

DONE AND PERFORMED this 5th day of December, 2007 by Order of this Board.

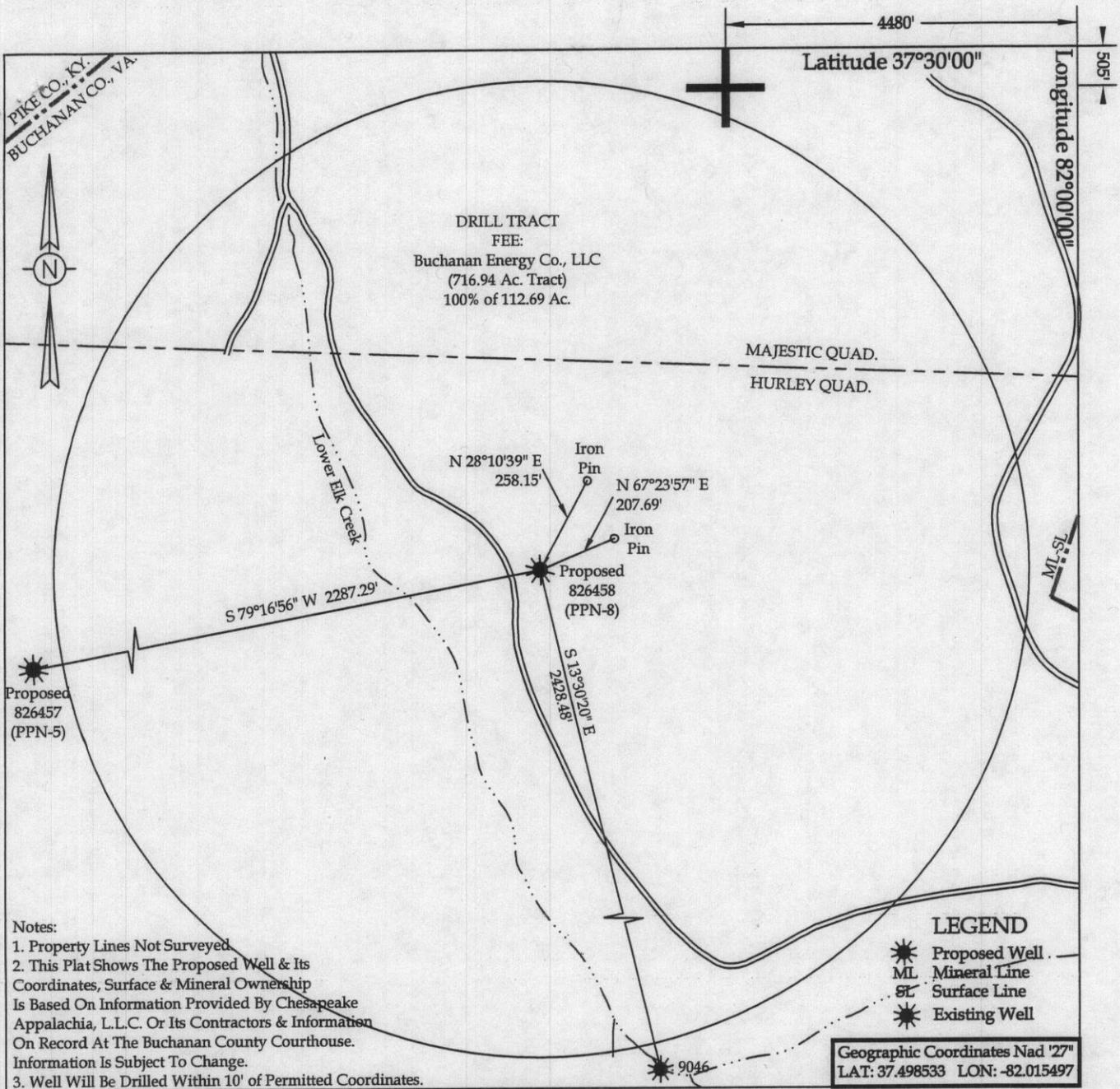

B. R. Wilson
Principal Executive to the Staff
Virginia Gas and Oil Board

STATE OF VIRGINIA)
COUNTY OF WASHINGTON)

Acknowledged on this 5th day of December, 2007, 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, and 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 was authorized to do so.


Diane Davis
Notary Public 174394

My commission expires September 30, 2009



Notes:

1. Property Lines Not Surveyed.
2. This Plat Shows The Proposed Well & Its Coordinates, Surface & Mineral Ownership Is Based On Information Provided By Chesapeake Appalachia, L.L.C. Or Its Contractors & Information On Record At The Buchanan County Courthouse. Information Is Subject To Change.
3. Well Will Be Drilled Within 10' of Permitted Coordinates.

LEGEND

- Proposed Well
- Mineral Line
- Surface Line
- Existing Well

Geographic Coordinates Nad '27"
 LAT: 37.498533 LON: -82.015497

Area of Unit-112.69 Acres
WELL LOCATION PLAT

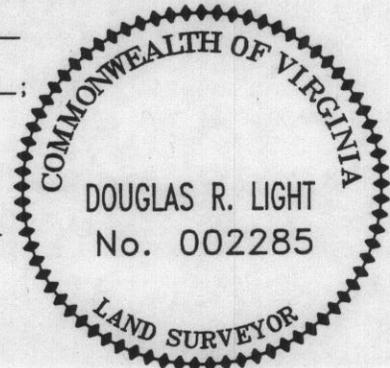
Company CHESAPEAKE APPALACHIA, L.L.C. Well Name or Number 826458 (PPN-8)
 Tract No. Buchanan Energy Co. Quadrangle Hurley
 District Knox
 Well Coordinates (Virginia State Plane) N: 443,216.56 E: 980,365.76
 Elevation: 1297.41 Method Used to Determine Elevation: Trig. Levels from GPS derived elevation.
 County BUCHANAN Scale: 1" = 400' Date 9-05-07

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.

Douglas R. Light 9-12-07

 Licensed Professional Engineer or Licensed Land Surveyor





**826458 (PPN-8)
SPACING EXCEPTION MAP
HURLEY QUADRANGLE**

LBL & ASSOCIATES, PC
SURVEYORS - ENGINEERS
BOUNDARY - CONSTRUCTION - ENERGY - ENVIRONMENTAL - MINING
430 VIRGINIA AVENUE, RICHLANDS, VA 24641
276-596-9646 (FAX: 276-596-9736)

PROJECT NO.
LBL-G2076-07

SCALE:
1" = 1000'

DATE: 8-28-07
PPN8-spacing.DWG