

090003180

INSTRUMENT PREPARED BY
VIRGINIA GAS AND OIL BOARD

ORDER RECORDED UNDER CODE
OF VIRGINIA SECTION 45.1-361.23

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: (1) ESTABLISHMENT OF THE DRILLING)
UNIT DEPICTED IN **EXHIBIT A** HERETO) DOCKET NO.
AND SERVED BY WELL NO. 826869) 08/09/16-2336
(herein "Subject Drilling Unit"))
PURSUANT TO VA. CODE § 45.1-361.20;)
(2) POOLING OF INTERESTS IN)
SUBJECT DRILLING UNIT PURSUANT TO)
VA. CODE § 45.1-361.21, FOR THE)
PRODUCTION OF GAS OTHER THAN)
COALBED METHANE GAS FROM SUBJECT)
FORMATIONS (herein referred)
to as "**Conventional Gas**" or "Gas");)
and (3) DESIGNATE THE APPLICANT)
AS THE UNIT OPERATOR FOR THE)
SUBJECT DRILLING UNIT)

LEGAL DESCRIPTION:

DRILLING UNIT SERVED BY WELL NUMBERED)
826869 TO BE DRILLED IN THE LOCATION)
DEPICTED ON **EXHIBIT A** HERETO)
Richardson - Charles Estate)
80.97 Acre Tract)
Grundy QUADRANGLE)
Rocklick 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. on **September 16, 2008** Southwest Virginia Higher Education Center on the campus of Virginia Highlands Community College, Room 240, Abingdon, Virginia.

2. Appearances: **James E. Kaiser** appeared for the Applicant, Sharon 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 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 the Application filed herein; and (3) that the persons set forth in their Application and Notice of Hearing have been identified by Applicant through its due diligence as Owners or Claimants of Conventional Gas interests underlying Subject Drilling Unit, including those set out in **Exhibit B-3** 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 due process.

4. Amendments: NONE.

5. Dismissals: NONE.

6. Relief Requested: Applicant requests (1) that pursuant to Va. Code § 45.1-361.20, the Board establish Subject Drilling Unit to be served by Well No. **826869**; and (2) that pursuant to Va. Code § 45.1-361.21, the Board pool the rights, interests and estates in and to the Conventional Gas of the known and unknown persons listed in the attached **Exhibit B-3**, 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 Conventional Gas from the Subject Drilling Unit established for 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, (3) that the Board designate Chesapeake Appalachia LLC as Unit Operator.

7. Relief Granted: The requested relief in this cause shall be and hereby is granted.

7.1 The Board hereby: (1) establishes Subject Drilling Unit pursuant to Va. Code § 45.1-361.20; (2) pursuant to Va. Code § 45.1-361.21.C.3, Equitable Production Company (hereafter "Unit Operator") is designated as the Operator authorized to drill and operate Well No. 826869 in the Subject Drilling Unit at the location depicted on the plat attached hereto as **Exhibit A** to produce Conventional Gas from Subject Formations, subject to the permit provisions contained in § 45.1-361.27 et seq., Code of Virginia, 1950 as amended, to § 4 VAC 25-150 et seq., Gas and Oil Regulations and to § 4 VAC 25-160 et seq., Virginia Gas and Oil Board Regulations, all as amended from time to time; and (3) the rights, interests and estates in and to the Conventional Gas in Subject Drilling Unit including

those 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 Drilling Unit underlying and comprised of the Subject Lands. There are no applicable field rules and the unit is subject to statewide spacing requirements of Va. Code § 45.1-361.17.

8. Election and Election Period: In the event any Gas owner named in the Application and Notice of Hearing has not heretofore reached a voluntary agreement to share in the operation of the well to be located in Subject Drilling Unit at a rate of payment mutually agreed to by said Gas owner and the Operator, then, such person 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 herein 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 his 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 Development and Operation of the Drilling Unit: Any Gas Owner or Claimant named in **Exhibit B-3** who has not reached a voluntary agreement with the Operator may elect to participate in the Well Development and Operation on 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, including a reasonable supervision fee, of the Well Development and Operation, as more particularly set forth in 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 Estimated, Completed-for-Production Costs 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 estimated Completion-for-Production Costs for the Subject Drilling Unit are as follows:

Estimated, Completed-for-Production Costs: \$677,389.00

Any gas owner and/or claimants named in **Exhibit B-3**, who elect 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 Operators' "Percent of 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 of Subject Drilling Unit under Paragraph 9.1 above, any Gas Owner or Claimant named in **Exhibit B-3** in the unit who has not reached a voluntary agreement with the Operator may elect to accept a cash bonus consideration of \$5.00 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 the Gas owner's percentage Interest Within Unit as set forth in the Application and Notice of Hearing (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. 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 Gas owner 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 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** hereto who does not reach a voluntary agreement with the Operator may elect to share in the Well Development and Operation of 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 overriding royalty, or other non-operating or non cost-bearing 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. Any Gas Owner and/or Claimant named in **Exhibit B-3** who elects this option (Option 3) understands and agrees that Completed-for-Production Costs are the Operator's actual costs for well development and operation. 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.

Subject to a 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 assign his right, interests, and claims in and to the Gas produced from Subject Formation in the Subject Drilling Unit to the Unit Operator for the period of time during which his interest is carried

as above provided prior to its reversion back to such electing person.

10. Failure to Properly Elect: In the event a person named in **Exhibit B-3** hereto does not reach a voluntary agreement with the Applicant and fails to do so 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 any 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 Gas in the Subject Drilling Unit to the Unit Operator. Persons who fail to properly elect shall be deemed 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 Formation underlying Subject Lands.

11. Default By Participating Person: In the event a 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 1/8th royalties which would become due pursuant to Paragraph 9.2 hereof.

12. Assignment of Interest: In the event a person named in **Exhibit B-3** is unable to reach a voluntary agreement to share in the Well Development and Operation contemplated by this Order at a rate of payment agreed to mutually by said Owner or Claimant and the Applicant, and said person elects

or fails to elect to do other than participate under Paragraph 9.1 above in the Well Development and Operation in Subject Drilling Unit, then such person shall be deemed to have and shall have assigned unto Applicant 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 elections.

13. Unit Operator (or Operator): Columbia Natural Resources, LLC, shall be and hereby is designated as Unit Operator authorized to drill and operate Well No. 826869 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 and §§ 4 VAC 25-160 et seq., Virginia Gas and Oil Board Regulations, 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:

Chesapeake Appalachia LLC
900 Pennsylvania Avenue
P.O. Box 6070
Charleston, WV 25362-0070
Attn: Donna Snyder

14. Commencement of Operations: Unit Operator shall commence or cause to commence operations for the drilling of the well covered hereby within seven hundred and thirty (730) days from the date of this Order and shall prosecute the same with due diligence. If Unit Operator shall not have so commenced and/or prosecuted, then this Order shall terminate, except for any cash sums becoming 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 covered hereby has been paid the full amounts due under the terms of this Order.

16. Escrow Provisions:

Applicant has represented to the Board that there are no unknown and/or unlocatable Gas owners in the Subject Drilling Unit whose interests are subject to the escrow requirements of Paragraph 16.1 and, the Applicant has represented to the Board that there are no conflicting claimants in Subject Drilling Unit whose payments are subject to the provisions of Paragraph 16.2 hereof. Therefore, by the Order and unless and until otherwise ordered by the Board, the Escrow Agent is not required to establish an interest-bearing escrow account for the Subject Drilling Unit.

Wachovia Bank, N.A.
VA7515
P.O. Box 14061
Roanoke, VA 24038
Attn: Judy Barger

16.1 Escrow Provisions for Unknown or Unlocatable Persons: If any payment of bonus, royalty payment or other payment due and owing 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 shall, pursuant to Va. Code § 45.1-361.21.D, be deposited by the 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 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 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 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 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 **Chesapeake Appalachia LLC** Applicant is duly authorized and qualified to transact business in the Commonwealth of Virginia;
- 17.2. Applicant **Chesapeake Appalachia LLC** is an operator in the Commonwealth of Virginia, and has satisfied the Board's requirements for operations in Virginia;
- 17.3. Applicant **Chesapeake Appalachia LLC** claims ownership of Gas leases on **81.773646%** percent of Subject Drilling Unit and the right to explore for, develop and produce Gas from same;
- 17.4. Applicant has proposed the drilling of Well No. **826869** to a depth of **6255** feet on the Subject Drilling Unit at the location depicted in **Exhibit A** to develop the pool of Gas in Subject Formations, and to complete and operate Well No. **826869** for the purpose of producing Conventional Gas.
- 17.5. The estimated production of the life of the proposed Well No. **826869** is **300 MMCF**.
- 17.6. With this Application, notice was provided to everyone claiming an ownership interest relative to the production of conventional gas in the Subject Drilling Unit. Set forth in **Exhibit B-3**, is the name and last known address of each Owner or Claimant identified by the Applicant as Gas owners in Subject Drilling Unit 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. Gas interests unleased to the Operator and listed in **Exhibit B-3** represent **18.226354%** percent of 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 Subject Drilling Unit does not constitute an unreasonable or arbitrary exercise of Applicant's right to explore for or produce Gas;
- 17.9. The relief requested and granted is just and reasonable, is supported by substantial evidence and will afford each 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 Conventional 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 the 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 14 day of Sept, 2009, by a majority of the Virginia Gas and Oil Board.

Bradley C. Lambert
Bradley Lambert, Chairman

DONE AND EXECUTED this 14th day of September, 2009, by a majority of the Virginia Gas and Oil Board.

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

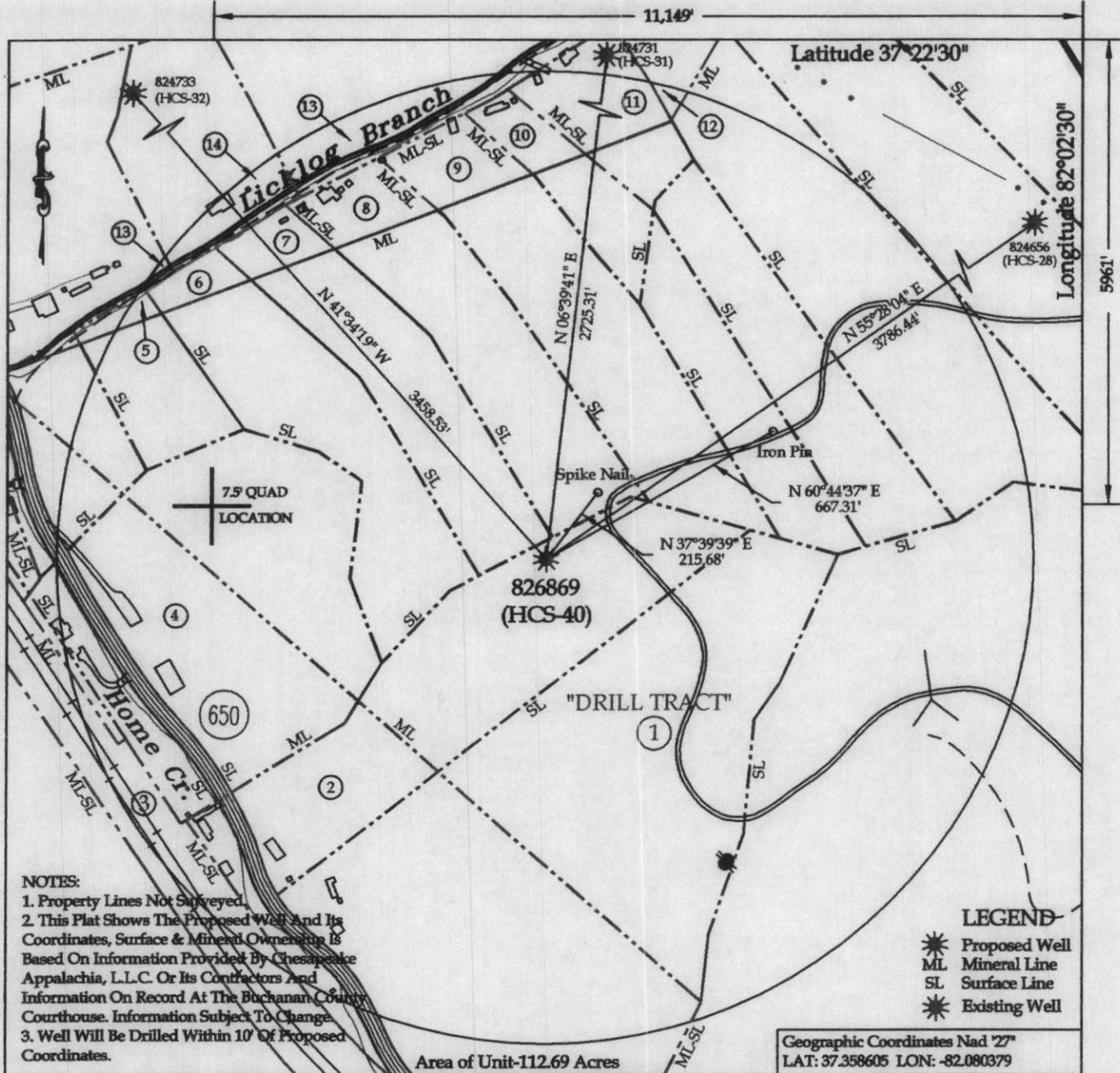
STATE OF VIRGINIA
COUNTY OF RUSSELL:

Acknowledged this 14th day of September, 2009, personally before me a notary public in and for the Commonwealth of Virginia, appeared Bradley Lambert, being duly sworn did depose and say that he is 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 they executed same and were authorized to do so.

Diane J. Davis
Diane J. Davis

My Commission Expires September 30, 2009





WELL LOCATION PLAT

NOTES:

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

LEGEND

- Proposed Well
- ML Mineral Line
- SL Surface Line
- Existing Well

Geographic Coordinates Nad '27"
LAT: 37.358605 LON: -82.080379

Company Chesapeake Appalachia, LLC Well Name or Number 826869 (HCS-40)
 Tract No. Richardson-Charles Estate Quadrange Grundy
 District Rocklick
 Well Coordinates (Virginia State Plane) N 393,013.16 E 959,624.64
 Elevation: 1839.06 Method Used to Determine Elevation: Trig. Levels from GPS derived elevation.
 County Buchanan Scale: 1" = 400' Date 8-6-08

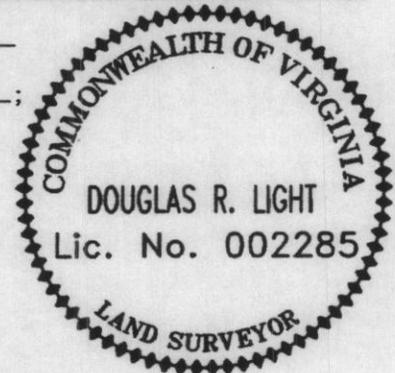
This Plat is a new plat ; an updated plat ; or a final location plat ;

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

Licensed Professional Engineer and Licensed Land Surveyor

Form DGO-GO-7
Rev. 1-98



DGO-7 Supplement
WELL UNIT PROPERTY OWNER INDEX
826869 (HCS-40) with pipeline

(1)

"Drill Tract"

Mineral:

Richardson ~ Charles Estate
80.97 Ac. ~ 71.85% of 112.69 Ac.

Surface:

Paul & Madeline R. Fletcher

(2)

Mineral:

Etta V. Litz Estate (1/3 Int.)
Green Charles Estate (1/3 Int.)
Gary Allen Lark, Et Al (1/3 Int.)
13.76 Ac. ~12.21% of 112.69 Ac.

(3)

Mineral:

Norfolk & Southern Railroad
1.59 Ac. ~ 1.41% of 112.69 Ac.

(4)

Mineral:

Etta V. Litz Estate (1/3 Int.)
Green Charles Estate (1/3 Int.)
Richard K. Pobst, Et Al (1/3 Int.)
8.37 Ac. ~ 7.43% of 112.69 Ac.

(5)

Mineral:

Roger L. Fletcher & Maggie Fletcher (1/3 Interest)
Green Charles Estate (1/3 Interest)
Etta V. Litz Estate (1/3 Interest)
0.12 Ac. ~ 0.11% of 112.69 Ac.

(6)

Mineral:

John Edward & Sandra Ann Phelps
Green Charles Estate (1/3 Interest)
Etta V. Litz Estate (1/3 Interest)
0.49 Ac. ~ 0.43% of 112.69 Ac.

(7)

Mineral:

Sue Carol Sheppard (1/3 Interest)
Green Charles Estate (1/3 Interest)
Etta V. Litz Estate (1/3 Interest)
0.68 Ac. ~ 0.60% of 112.69 Ac.

(8)

Mineral:

Jerry L. Fletcher & Carolyn Ann Fletcher (1/3 Interest)
Green Charles Estate (1/3 Interest)
Etta V. Litz Estate (1/3 Interest)
1.06 Ac. ~ 0.94% of 112.69 Ac.

(9)

Mineral:

Jeremy M. Fletcher & Ada June Fletcher (1/3 Interest)
Green Charles Estate (1/3 Interest)
Etta V. Litz Estate (1/3 Interest)
1.15 Ac. ~ 1.02% of 112.69 Ac.

(10)

Mineral:

Harry Brown, Jr. & Betty Brown (1/3 Interest)
Green Charles Estate (1/3 Interest)
Etta V. Litz Estate (1/3 Interest)
0.68 Ac. ~ 0.60% of 112.69 Ac.

(11)

Mineral:

Jason & Amanda Fletcher (1/3 Interest)
Green Charles Estate (1/3 Interest)
Etta V. Litz Estate (1/3 Interest)
1.24 Ac. ~ 1.10% of 112.69 Ac.

(12)

Mineral:

Mary E. Justus (1/3 Interest)
Green Charles Estate (1/3 Interest)
Etta V. Litz Estate (1/3 Interest)
0.09 Ac. ~ 0.08% of 112.69 Ac.

(13)

Mineral:

Sarah Ruth Fletcher Daniels, et al
1.65 Ac. ~ 1.47% of 112.69 Ac.

(14)

Mineral:

Paul Gregory Fletcher & Sherry McClanahan Fletcher, Et Al

0.84 Ac. ~ 0.75% of 112.69 Ac.

EXHIBT "B-3"
826869

<u>LESSOR</u>	<u>LEASE STATUS</u>	<u>INTEREST WITHIN UNIT</u>	<u>GROSS ACREAGE IN UNIT</u>
TRACT 2 13.76 Acres in Unit			
Green Charles Estate:			
John G. Charles and spouse or heirs 153 Phillips Drive Pikeville, KY 41501	Unleased	0.678360%	0.764444
Mary Eloise Hughes and spouse or heirs 146 Third Street Pikeville, KY 41501	Unleased	0.678360%	0.764444
George Fred Charles and Jean Charles, his wife 1653 Lawrence Avenue Ashland, KY 41101	Unleased	0.226120%	0.254815
Luella Charles and spouse or heirs 249 Hill-N-Dale Road Lexington, KY 40503	Unleased	0.226120%	0.254815
N. Janesta Current Revocable Trust c/o Nora L. Charles, Trustee 6246 Rosebury One North St. Louis, MO 63105	Unleased	0.226120%	0.254815
Florane J. Baird c/o John H. Baird P.O. Box 351 Pikeville, KY 41502	Unleased	0.339180%	0.382222
Edith J. Huber and Charles H. Huber, her husband 3901 Greenhaven Lane Goshen, KY 40026	Unleased	0.113060%	0.127407
Douglas Mack Justice and spouse or heirs P.O. Box 2883 Pikeville, KY 41502	Unleased	0.226120%	0.254815
Betty C. Clevinger and spouse or heirs 300 Mantua Venice, FL 34292	Unleased	0.113060%	0.127407

EXHIBIT "B-3"
826869

<u>LESSOR</u>	<u>LEASE STATUS</u>	<u>INTEREST WITHIN UNIT</u>	<u>GROSS ACREAGE IN UNIT</u>
Kimberly Rowe and spouse or heirs c/o John H. Baird P.O. Box 351 Pikeville, KY 41502	Unleased	0.141325%	0.159259
Kelli Shannon and spouse or heirs c/o John H. Baird P.O. Box 351 Pikeville, KY 41502	Unleased	0.141325%	0.159259
Eugene F. Charles and Cherith Charles, his wife 705 Hammond Road York, PA 17402	Unleased	0.282650%	0.318519
James R. Charles, Jr. and Carol J. Charles, his wife 356 Montrose Road Monroe, VA 24574	Unleased	0.169590%	0.191111
John L. Charles and Laura K. Charles, his wife 703 Suntree Drive Westerville, OH 43081	Unleased	0.169590%	0.191111
Nancy F. Cooksey and Douglas Cooksey, her husband 1083 Greenland Circle South Charleston, WV 25309	Unleased	0.339180%	0.382222
Frances Baxter Minton and spouse or heirs P.O. Box 1328 Grundy, VA 24614	Unleased	0.678360%	0.764444
Elizabeth Baxter Wright and spouse or heirs 18217 Woodland Hills Road Abingdon, VA 24210	Unleased	0.678360%	0.764444
Mary Patricia Lynch and spouse or heirs 1206 Imperial Drive Kingsport, TN 37663	Unleased	0.678360%	0.764444

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<u>LESSOR</u>	<u>LEASE STATUS</u>	<u>INTEREST WITHIN UNIT</u>	<u>GROSS ACREAGE IN UNIT</u>
Nancy Jo Baxter Testerman 2205 Sunningdale Road Kingsport, TN 37660	Unleased	0.678360%	0.764444
Gary Allen Lark and spouse or heirs 1415 Hollyhock Circle Apopka, FL 32703	Unleased	1.356721%	1.528889
James W. St. Clair and spouse or heirs 1805 McCoy Drive Huntington, WV 25701	Unleased	0.271344%	0.305778
TRACT 3 1.59 Acres in Unit			
Norfolk Southern Railway Company c/o Pocahontas Land Corporation Attn: Mark Kinder P.O. Box 1517 Bluefield, WV 24701	Unleased	1.410950%	1.590000
TRACT 4 8.37 Acres in Unit			
Green Charles Estate:			
John G. Charles and spouse or heirs 153 Phillips Drive Pikeville, KY 41501	Unleased	0.412636%	0.465000
Mary Eloise Hughes and spouse or heirs 146 Third Street Pikeville, KY 41501	Unleased	0.412636%	0.465000
George Fred Charles and Jean Charles, his wife 1653 Lawrence Avenue Ashland, KY 41101	Unleased	0.137545%	0.155000
Luella Charles and spouse or heirs 249 Hill-N-Dale Road Lexington, KY 40503	Unleased	0.137545%	0.155000

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<u>LESSOR</u>	<u>LEASE STATUS</u>	<u>INTEREST WITHIN UNIT</u>	<u>GROSS ACREAGE IN UNIT</u>
N. Janesta Current Revocable Trust c/o Nora L. Charles, Trustee 6246 Rosebury One North St. Louis, MO 63105	Unleased	0.137545%	0.155000
Florane J. Baird c/o John H. Baird P.O. Box 351 Pikeville, KY 41502	Unleased	0.206318%	0.232500
Edith J. Huber and Charles H. Huber, her husband 3901 Greenhaven Lane Goshen, KY 40026	Unleased	0.068773%	0.077500
Douglas Mack Justice and spouse or heirs P.O. Box 2883 Pikeville, KY 41502	Unleased	0.137545%	0.155000
Betty C. Clevinger and spouse or heirs 300 Mantua Venice, FL 34292	Unleased	0.068773%	0.077500
Kimberly Rowe and spouse or heirs c/o John H. Baird P.O. Box 351 Pikeville, KY 41502	Unleased	0.085966%	0.096875
Kelli Shannon and spouse or heirs c/o John H. Baird P.O. Box 351 Pikeville, KY 41502	Unleased	0.085966%	0.096875
Eugene F. Charles and Cherith Charles, his wife 705 Hammond Road York, PA 17402	Unleased	0.171932%	0.193750
James R. Charles, Jr. and Carol J. Charles, his wife 356 Montrose Road Monroe, VA 24574	Unleased	0.103159%	0.116250

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<u>LESSOR</u>	<u>LEASE STATUS</u>	<u>INTEREST WITHIN UNIT</u>	<u>GROSS ACREAGE IN UNIT</u>
John L. Charles and Laura K. Charles, his wife 703 Suntree Drive Westerville, OH 43081	Unleased	0.103159%	0.116250
Nancy F. Cooksey and Douglas Cooksey, her husband 1083 Greenland Circle South Charleston, WV 25309	Unleased	0.206318%	0.232500
Richard K. Pobst and Cathy Pobst, his wife 1024 Oxford Drive St. Augustine, FL 32084	Unleased	0.412636%	0.465000
Nancy Catherine Pobst a/k/a Cathy Pobst and spouse or heirs 111 Postelly Street Cartersville, GA 30120	Unleased	0.412636%	0.465000
Patrick R. Johnson and Sandy Johnson, his wife P.O. Box 604 Grundy, VA 24614	Unleased	0.412636%	0.465000
Michael J. Johnson, single c/o Sandy Johnson, Power of Attorney P.O. Box 604 Grundy, VA 24614	Unleased	0.412636%	0.465000
H.A. Street, divorced P.O. Box 1475 Grundy, VA 24614	Unleased	0.412636%	0.465000
Fred H. Combs, Testamentary Trust c/o Kelly Noel Combs Necessary, Trustee P.O. Box 841 Tazewell, VA 24651	Unleased	0.137545%	0.155000
Martha Combs and spouse or heirs P.O. Box 1404 Abingdon, VA 24212	Unleased	0.137545%	0.155000

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<u>LESSOR</u>	<u>LEASE STATUS</u>	<u>INTEREST WITHIN UNIT</u>	<u>GROSS ACREAGE IN UNIT</u>
Carol Combs Irvin and John C. Irvin, her husband 4710 Hunterwood Circle Richmond, TX 77469	Unleased	0.137545%	0.155000
James W. St. Clair and spouse or heirs 1805 McCoy Drive Huntington, WV 25701	Unleased	0.165055%	0.186000
TRACT 5 0.12 of an Acre in Unit			
Roger L. Fletcher and Maggie Fletcher, his wife 2349 Left Fork of Island Creek Pikeville, KY 41501	Unleased	0.035496%	0.040000
TRACT 6 0.49 of an Acre in Unit			
John Edward Phelps and Sandra Ann Phelps, his wife 2036 Cherry Lane Chesapeake, VA 23323	Unleased	0.144940%	0.163333
TRACT 7 0.68 of an Acre in Unit			
Sue Carol Sheppard and spouse or heirs 13082 Ormond Drive Bristow, VA 20136	Unleased	0.201142%	0.226667
TRACT 8 1.06 Acres in Unit			
Jerry L. Fletcher and Carolyn Ann Fletcher, his wife 1186 Lick Log Road Grundy, VA 24614	Unleased	0.313545%	0.353333
TRACT 9 1.15 Acres in Unit			
Jeremy M. Fletcher and Ada June Fletcher, his wife 1230 Lick Log Road Grundy, VA 24614	Unleased	0.340166%	0.383333

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<u>LESSOR</u>	<u>LEASE STATUS</u>	<u>INTEREST WITHIN UNIT</u>	<u>GROSS ACREAGE IN UNIT</u>
TRACT 10 0.68 of an Acre in Unit			
Harry Brown, Jr. and Betty Brown, his wife 4321 Portsmouth Boulevard Chesapeake, VA 23321	Unleased	0.201142%	0.226667
TRACT 11 1.24 Acres in Unit			
Jason Fletcher and Amanda Fletcher, his wife 1298 Lick Log Road Grundy, VA 24614	Unleased	0.366788%	0.413333
TRACT 12 0.09 of an Acre in Unit			
Mary E. Justus and spouse or heirs 1454 Lick Log Road Grundy, VA 24614	Unleased	0.026622%	0.030000
TRACT 13 1.65 Acres in Unit			
Sarah Ruth Fletcher Daniels and spouse or heirs Rt. 1 Box 407 Grundy, VA 24614	Unleased	0.366048%	0.412500
Beth Ann Brown and Charles David Brown, her husband 75 Blackberry Court Douglasville, GA 30134	Unleased	0.183024%	0.206250
Paul Gregory Fletcher and Sherry McClanahan Fletcher, his wife 1135 Lick Log Road Grundy, VA 24614	Unleased	0.183024%	0.206250
Dwight Douglas Fletcher and spouse or heirs 7817 Abbott Drive Boonsboro, MD 21713	Unleased	0.122016%	0.137500
Clyde Richard Fletcher and spouse or heirs 4113 Ridgebluffs Court Raleigh, NC 27603-8822	Unleased	0.122016%	0.137500

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<u>LESSOR</u>	<u>LEASE STATUS</u>	<u>INTEREST WITHIN UNIT</u>	<u>GROSS ACREAGE IN UNIT</u>
Ethel Marie Skibinski and spouse or heirs 3570 Colony Lane Roanoke, VA 24018-4410	Unleased	0.122016%	0.137500
TRACT 14 0.84 of an Acre in Unit			
Paul Gregory Fletcher and Sherry McClanahan Fletcher, his wife 1135 Lick Log Road Grundy, VA 24614	Unleased	0.279528%	0.315000
Beth Ann Brown and Charles David Brown, her husband 75 Blackberry Court Douglasville, GA 30134	Unleased	0.093176%	0.105000
Dwight Douglas Fletcher and spouse or heirs 7817 Abbott Drive Boonsboro, MD 21713	Unleased	0.062117%	0.070000
Clyde Richard Fletcher and spouse or heirs 4113 Ridgebluffs Court Raleigh, NC 27603-8822	Unleased	0.062117%	0.070000
Ethel Marie Skibinski and spouse or heirs 3570 Colony Lane Roanoke, VA 24018-4410	Unleased	0.062117%	0.070000
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Total Percentage Unleased		18.226354%	
Total Acreage Unleased			20.539278

INSTRUMENT #090003180
 RECORDED IN THE CLERK'S OFFICE OF
 BUCHANAN COUNTY ON
 OCTOBER 16, 2009 AT 10:02AM
 BEVERLY S. TILLER, CLERK
 RECORDED BY: GGB