

## Virginia Department of Mines, Minerals and Energy

## Virginia Gas and Oil Board

Minutes and results of hearing, April 19, 2005

Board members present: Ms. Barber, Mr. Brent, Mr. Garbis, Mr. McIntyre, Mr. Wampler

The Board received a quarterly report on the board escrow account as administered by Wachovia Bank, Escrow Agent for the Virginia Gas and Oil Board.

Opening balance for the quarter beginning January 1, 2005 was \$10,031,133.91. Credits included deposits of \$816,528.55, interest of \$51,141.11, while disbursements totaling \$32,186.62 and bank contract fees totaling \$30,000 were debited from the account leaving a March 31, 2005 closing balance of \$10,839,613.95. The monthly interest rate for March was 2.66%.

The Virginia Gas and Oil Board heard a petition from parties to a settlement agreement for disbursement of funds from escrow and authorization for direct payment of royalties on Tract 2, Unit VC-3892, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-99-0216-0711-01.

Conflicting claimants in Tract 2 of the unit served by well VC-3892 have reached an agreement with regard to disbursement of escrowed funds and direct payment of future royalties. By terms of the agreement, the petitioning gas owners are to receive 100% of escrowed funds and future royalties. Disbursement of funds was approved.

The Virginia Gas and Oil Board heard a petition from parties to a settlement agreement for disbursement of funds from escrow and authorization for direct payment of royalties on Tract 4, Unit VC-4497, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-00-1121-0847-01.

Conflicting claimants in Tract 4 of the unit served by well VC-4497 have reached an agreement with regard to disbursement of escrowed funds and direct payment of future royalties. By terms of the agreement, the petitioning gas owners are to receive 100% of escrowed funds and future royalties. Disbursement of funds was approved.

The Virginia Gas and Oil Board heard a petition from prevailing plaintiffs for disbursement of funds escrowed on their behalf, Unit P-40, Garden District, Buchanan County, Virginia. Docket Number VGOB-93-0216-0330-01.

Tract 4 of this unit is subject to a recent Buchanan County Circuit Court decision determining ownership of coalbed methane gas. The decision grants ownership of produced coalbed gas to the gas, oil and mineral owner. Disbursement of funds was approved.

The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit AY-140, Maiden Springs District, Tazewell County. Docket Number 05-0315-1413. Continued from March.

In the AY-140 58.74-acre unit, the operator controls 99.9% of the coal and gas interests, and seeks to pool the remaining 0.1% of the interests. Unleased acreage subject to pooling totals 0.05 net acres in one tract with one unleased and unknown owner. The unlocated owners are subject to escrow. A permit to drill was issued on 1/11/05. Continued to the June hearing on request of the applicant.

The Virginia Gas and Oil Board heard a petition from EOG Resources, Inc. for pooling of conventional gas unit PK M-23, Garden District, Buchanan County, Virginia. Docket Number VGOB-05-0315-1421. Continued from March.

In the PK M-23 180-acre conventional gas unit, the applicant controls 65.3% of the oil and gas interests, and seeks to pool the remaining 34.7% of the interests. Unleased acreage subject to pooling totals 62.4 net acres in four tracts having owners who are not leased to the applicant. There are no unlocated owners subject to escrow. A permit to drill the unit was issued on 3/30/05. Pooling was approved.

The Virginia Gas and Oil Board heard a petition from EOG Resources, Inc. for pooling of a conventional gas unit

PK K-18, Garden District, Buchanan County, Virginia. Docket Number VGOB-05-0315-1426. Continued from March.

In the PK K-18 180-acre conventional gas unit, the applicant controls 31.6% of the oil and gas interests, and seeks to pool the remaining 68.4% of the interests. Unleased acreage subject to pooling totals 123.1 net acres in four tracts having seven owners who are not leased to the applicant. There are no unlocated owners subject to escrow. No application for permit to drill the unit has been submitted. Continued to the May hearing on request of the applicant.

The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BE-121, New Garden District, Russell County, Virginia. Docket Number VGOB-05-0419-1427.

In the BE-121 58.74-acre unit, the applicant controls 100% of the coal interests and 92.9% of the gas interests, and seeks to pool the remaining 7.1% of the gas interests. Unleased gas acreage subject to pooling totals 4.15 net acres in one tract with one unleased owner. There are conflicting claimants subject to escrow, and conflicting claimants subject to existing royalty split agreements. A permit to drill was issued on 3/3/05. Pooling was approved.

The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BF-111, New Garden District, Russell County, Virginia. Docket Number VGOB-05-0419-1428.

In the BF-111 58.74-acre unit, the applicant controls 100% of the coal interests and 96.5% of the gas interests, and seeks to pool the remaining 3.5% of the gas interests. Unleased gas acreage subject to pooling totals 2.1 net acres in two tracts with one unleased owner. There are no conflicting claimants or unknown owners subject to escrow. No application for permit to drill has been submitted. Pooling was approved.

The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BG-111, New Garden District, Russell County, Virginia. Docket Number VGOB-05-0419-1429.

In the BG-111 58.74-acre unit, the applicant controls 100% of the coal interests and 98.3% of the gas interests, and seeks to pool the remaining 1.7% of the gas interests. Unleased gas acreage subject to pooling totals 1.0 net acre in one tract with one unleased owner. There are no conflicting claimants or unknown owners subject to escrow. No application for permit to drill has been submitted. Pooling was approved.

The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BH-111, New Garden District, Russell County, Virginia. Docket Number VGOB-05-0419-1430.

In the BH-111 58.74-acre unit, the applicant controls 100% of the coal interests and 98.1% of the gas interests, and seeks to pool the remaining 1.9% of the gas interests. Unleased gas acreage subject to pooling totals 1.14 net acres in two tracts with one unleased owner. There are no conflicting claimants or unknown owners subject to escrow. No application for permit to drill has been submitted. Pooling was approved.

The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BI-107, New Garden District, Russell County, Virginia. Docket Number VGOB-05-0419-1431.

In the BI-107 58.74-acre unit, the applicant controls 99.5% of the coal interests and 96.0% of the gas interests, and seeks to pool the remaining 0.5% of the coal interests and 4.0% of the gas interests. Unleased coal acreage subject to pooling totals 0.5 net acres in four tracts with six unleased owners, and gas acreage subject to pooling totals 2.5 net acres in five tracts with seven unleased owners. There are no unlocated owners subject to escrow. A permit to drill was issued on 3/28/05. Pooling was approved.

The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BI-111, New Garden District, Russell County, Virginia. Docket Number VGOB-05-0419-1432.

In the BI-111 58.74-acre unit, the applicant controls 100% of the coal interests and 96.1% of the gas interests, and seeks to pool the remaining 3.9% of the gas interests. Unleased gas acreage subject to pooling totals 2.28 net acres in three tracts with one unleased owner. There are no conflicting claimants or unknown owners subject

to escrow. A permit to drill was issued on 3/16/05. Pooling was approved.

The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BJ-107, New Garden District, Russell County, Virginia. Docket Number VGOB-05-0419-1433.

In the BJ-107 58.74-acre unit, the applicant controls 100% of the coal interests and 95.8% of the gas interests, and seeks to pool the remaining 4.2% of the gas interests. Unleased gas acreage subject to pooling totals 2.48 net acres in one tract with one unleased owner. There are no conflicting claimants or unknown owners subject to escrow. A permit to drill was issued on 3/9/05. Pooling was approved.

The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit BJ-111, New Garden District, Russell County, Virginia. Docket Number VGOB-05-0419-1434.

In the BJ-111 58.74-acre unit, the applicant controls 100% of the coal interests and 94.8% of the gas interests, and seeks to pool the remaining 5.2% of the gas interests. Unleased gas acreage subject to pooling totals 3.07 net acres in two tracts with one unleased owner. There are no conflicting claimants or unknown owners subject to escrow. A permit to drill was issued on 2/28/05. Pooling was approved.

The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payment of royalties on Tract 4F, Unit W-34, Garden District, Buchanan County, Virginia. Docket Number VGOB-98-0318-0571-03.

Owners with conflicting claims to coalbed gas in Tract 4F of the W-34 unit have reached an agreement to split escrowed funds and future revenues. The petition seeks disbursement of escrowed funds and authorization of direct payment of future revenues according to the agreement. Disbursement of funds was approved.

The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payment of royalties on Tracts 1C, 1D, 1F and 1G, Unit W-35, Garden District, Buchanan County, Virginia. Docket Number VGOB-98-0324-0627-02.

Owners with conflicting claims to coalbed gas in Tracts 1C, 1D, 1F and 1G of the W-35 unit have reached an agreement to split escrowed funds and future revenues. The petition seeks disbursement of escrowed funds and authorization of direct payment of future revenues according to the agreement. Disbursement of funds was approved.

The Virginia Gas and Oil Board heard a petition from Equitable Production Company for creation and pooling of conventional gas unit V-536721, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-05-0419-1435.

In the V-536721 112.69-acre conventional gas unit, the applicant controls 97.2% of the oil and gas interests, and seeks to pool the remaining 2.8% of the interests. Unleased acreage subject to pooling totals 3.2 net acres in one tract having two unleased owners. There are undetermined owners subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-504886, Sandlick District, Dickenson County, Virginia. Docket Number VGOB-05-0419-1436.

In the VC-504886 58.77-acre unit, the operator controls 92.9% of the coal and gas interests, and seeks to pool the remaining 7.1% of the interests. Unleased acreage subject to pooling totals 4.15 net acres in one tract with unknown owners. There are unknown owners but no conflicting claimants subject to escrow. A permit to drill was issued on 8/27/04 and a well has been drilled. Pooling was approved.

The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-502974, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-05-0419-1437.

In the VC-502974 58.77-acre unit, the applicant controls 100% of the coal interests and 74.8% of the gas interests, and seeks to pool the remaining 25.2% of the gas interests. Unleased gas acreage subject to pooling

totals 14.8 net acres in one tract with two unleased owners. There are conflicting claimants subject to escrow. An application for permit to drill has been submitted. Pooling was approved.

The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-535632, Kenady District, Dickenson County, Virginia. Docket Number VGOB-05-0419-1438.

In the VC-502974 58.77-acre unit, the applicant controls 100% of the coal interests and 99.6% of the gas interests, and seeks to pool the remaining 0.4% of the gas interests. Unleased gas acreage subject to pooling totals 0.25 net acres in one tract with one unleased owner. There are conflicting claimants subject to escrow. No application for permit to drill has been submitted. Pooling was approved.

The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-536476, Sandlick District, Dickenson County, Virginia. Docket Number VGOB-05-0419-1439.

In the VC-536476 58.77-acre unit, the operator controls 97.7% of the coal and gas interests, and seeks to pool the remaining 2.3% of the interests. Unleased acreage subject to pooling totals 1.3 net acres in one tract with unknown owners. There are unknown owners but no conflicting claimants subject to escrow. A permit to drill was issued on 8/26/04. Pooling was approved.

The Virginia Gas and Oil Board heard a petition from Columbia Natural Resources for creation and pooling of conventional gas unit 825309, Knox District, Buchanan County, Virginia. Docket Number VGOB-05-0419-1440.

In the 825309 77.34-acre conventional gas unit, the applicant controls 57.8% of the oil and gas interests, and seeks to pool the remaining 42.2% of the interests. Unleased acreage subject to pooling totals 32.7 net acres in one tract having two unleased owners. There are no unlocated owners subject to escrow. No application for permit to drill the unit has been submitted. Pooling was approved.

The Virginia Gas and Oil Board heard a petition from Hard Rock Exploration, Inc. for pooling of conventional gas unit HRVAE #10 (PK M-17), N. Grundy District, Buchanan County, Virginia. Docket Number VGOB-05-0419-1441.

In the HRVAE #10 (PK M-17) 180-acre conventional gas unit, the applicant controls 64.5% of the oil and gas interests, and seeks to pool the remaining 35.5% of the interests. Unleased acreage subject to pooling totals 63.8 net acres in four tracts having 15 unleased owners. There are no unlocated owners subject to escrow. No application for permit to drill the unit has been submitted. Pooling was approved.

The Virginia Gas and Oil Board heard a petition from Dart Oil & Gas Corporation for the establishment of field rules for drilling of conventional wells in Abbs Valley, Northern Tazewell County, Virginia. VGOB-05-0419-1442.

Applicant is requesting the establishment of field rules to govern the development of conventional gas on approximately 8,627 acres of land in the Abbs Valey area. Applicant controls approximately 5,705 acres (66%) of the designated area. The proposed field area, which is based on geology, is divided into fifteen 200-acre units plus three "make-up" units of various sizes adjoining the West Virginia state boundary. Three wells have been drilled in the area to test productive potential. Field rules were approved.

The Virginia Gas and Oil Board heard a petition from EOG Resources, Inc. for pooling of conventional gas unit PK L-16, North Grundy District, Buchanan County, Virginia. Docket Number VGOB-05-0419-1443.

In the PK L-16 180-acre conventional gas unit, the applicant controls 72.1% of the oil and gas interests, and seeks to pool the remaining 27.9% of the interests. Unleased acreage subject to pooling totals 50.3 net acres in five tracts having 11 unleased owners. There are unlocated owners subject to escrow. An application for permit to drill the unit has been submitted. Pooling was approved.

The Virginia Gas and Oil Board heard a petition from EOG Resources, Inc. for creation and pooling of conventional gas unit for Big Vein Well #11-05, Garden District, Buchanan County, Virginia. Docket Number VGOB-05-0419-1444.

In the Big Vein #11-05 112.69-acre conventional gas unit, the applicant controls 96.1% of the oil and gas interests, and seeks to pool the remaining 3.9% of the interests. Unleased acreage subject to pooling totals 4.4 net acres in one tract having one unleased owner. There are no unlocated owners subject to escrow. No application for permit to drill the unit has been submitted. Pooling was approved.

The deadline for filing of petitions to the Board for the May hearing is 5 p.m., Friday, April 15, 2005, with the hearing scheduled for 9 a.m. on Tuesday, May 17, 2005 at the Southwest Virginia Higher Education Center, Abingdon, Virginia.

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