

V I R G I N I A:

## BEFORE THE OIL AND GAS CONSERVATION BOARD

In Re:

Application of Edwards & Harding Petroleum Company for  
Forced Pooling of Interest in a Drilling Unit  
Affected by Well Number EH-10 in the  
Berea Formation of Buchanan County, Virginia

This cause came on this 7th day of September, 1989, upon the application of Edwards & Harding Petroleum Company requesting that this Board pool the interests of well operators in the 109.12 acre (plus a tolerance of 15%) drilling units established for oil and/or natural gas production from the base of the Devonian shale to the surface in Buchanan County, Virginia, Well Work Permit Number 1296. Notice of the filing of the application herein and of the time, date and place of the hearing thereon was duly and properly given to each well operator of record having an interest in the oil and gas underlying the tracts within the drilling unit covered hereby as required by Section 45.1-304, Code of Virginia, 1950, as amended. The Board examined the Notice as given and further conducted inquiry into the sufficiency of Edwards & Harding Petroleum Company's search to determine the names and whereabouts of well operators who may be affected by the pooling of oil and gas interests in the drilling unit involved herein. The Board finds that Edwards & Harding Petroleum Company has exercised due diligence and has conducted a meaningful search of reasonably available sources at hand. The Board hereby approves the notice given, by publication and otherwise, as meeting the statutory requirements, rules of the Board and minimum standards of state and federal due process, and finds that notice has been given in all respects as required by law and the rules of this Board.

Based upon the evidence presented, the Board finds that Edwards & Harding Petroleum Company has acquired oil and gas leasehold interests in the

drilling unit as described in the map, which is attached hereto as Exhibit "A" and made a part hereof, and has the right to conduct operations on its oil and gas leasehold interests. Based on the evidence presented, the Board finds that the following named persons are owners of oil and gas interests which are not subject to any oil and gas lease and who have not voluntarily agreed to pool their interests in the drilling unit involved herein for its development and operation:

- 1) \_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

and that the following named persons are owners of oil and gas leasehold interests in the drilling unit involved herein who have not voluntarily agreed to pool their interest in this unit for its development and operation; Ashland Exploration, Incorporated, P. O. Box 391, Ashland, KY 41114

Based upon the evidence presented, the Board finds that, in order to avoid the drilling of unnecessary wells, prevent the various types of waste of oil and gas and protect the correlative rights of all well operators with respect to the pools in the drilling unit involved herein, the well operators involved who have not heretofore reached an agreement with respect to developing and operation of the drilling unit covered hereby shall be required to pool their oil and gas interests and develop the pools in this

drilling unit, upon the terms and conditions set out in this order, all of which terms and conditions are found, after consideration of the evidence presented in this cause, to be supported by substantial evidence and to be just, reasonable and equitable and such as will afford each operator in this unit the opportunity to recover or receive each such well operator's just and equitable share of production from this unit.

Based upon the evidence presented at the public hearing in this matter, the Virginia Oil and Gas Conservation Board orders as follows:

(1) The oil and gas interests of well operators, as named above, in this 109.12 acre (with a tolerance of 15%) drilling unit established in the lands involved herein for the unit described above are hereby pooled for the development and operation of this unit. Edwards & Harding Petroleum Company is hereby authorized to drill, complete and operate a well in this drilling unit so as to produce oil and gas from the pooled acreage, consistent with the terms and provisions of its applicable well work permit.

(2) Each well operator involved herein, other than Edwards & Harding Petroleum Company, shall, within 30 calendar days after the date of mailing this order, deliver to Edwards & Harding Petroleum Company, P. O. Box 2404, Abingdon, Virginia 24210, a written election either to participate in the operation of the well covered hereby or to exercise such well operator's right of election under this order as described below. A timely election shall be deemed to have been made if a well operator on or before the last day of such 30 calendar day period has sent such written election by telegram or telegraph to Edwards & Harding Petroleum Company at the address set forth above or has had such written election duly postmarked and has placed such written election in the United States mail, first class, postage prepaid, duly addressed to Edwards & Harding Petroleum Company at the address set

forth above. The alternatives afforded to the well operators of oil and gas interests herein pooled are set forth in either A or B, below, whichever is applicable.

(A) Each well operator herein pooled owning an oil and gas interest as to the previously described above derived from an oil and gas lease covering any tract within the drilling unit involved herein is accorded the following options as to such interest:

(i) Participation: To participate in the working interest in and the development of the prescribed unit herein by agreeing to pay such well operator's proportionate part of the actual cost of drilling, completing, equipping, operating, plugging and abandoning of the well covered hereby and by paying as set forth herein, to Edwards & Harding Petroleum Company, such owner's proportionate part of the \$253,646.00 estimated cost of drilling, completing, equipping, operating, plugging and abandoning of the proposed well covered hereby. In lieu of such payment, furnishing to Edwards & Harding Petroleum Company security satisfactory to Edwards & Harding Petroleum Company for the payment thereof within 60 calendar days of the date of this order. A participating well operator's proportionate part of the anticipated cost and completion of the production from, such well shall be in the proportion that the number of net mineral acres in the unit covered by the oil and gas rights owned by such party bears to the entire number of mineral acres in this unit; or

(ii) Carried interest: In lieu of participating in the working interest in and the development of the pools in this drilling unit, as set forth in subparagraph (i) above, to elect to share in the operation of the well covered on a carried basis (as a carried well operator) so that the

proportionate part of the actual cost of drilling, completing, equipping, operating, plugging and abandoning of such well allocable to such carried well operator's interest is charged against such carried well operator's share of production from such well. All of such carried well operator's oil and gas rights in the pools in the drilling unit involved herein are relinquished under this order to Edwards & Harding Petroleum Company until the proceeds from the sale of the share of production from such well accruing to such carried well operator's unleased oil and gas interest in the drilling unit involved herein, 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 oil and gas interest, equals three hundred percent (300%) of the share of the cost of drilling and completing the well allocable to the oil and gas interest of such carried well operator; plus one hundred percent (100%) of the carried operator's share of the cost of surface equipment beyond the wellhead connection of such well allocable to the oil and gas interest of such carried well operator; plus one hundred percent (100%) of the share of the cost of operating such well allocable to the oil and gas interest of such carried well operator. Such carried well operator's proportionate part of the costs of, and the production from, the well covered hereby is to be in the proportionate part of the costs of, and of the production from, the well covered hereby is to be in the proportion that the number of net mineral acres in the unit covered by the oil and gas interest owned by such carried well operator bears to the entire number of mineral acres in such unit. During the period of time Edwards & Harding Petroleum Company is entitled to receive such carried well operator's share of production or the proceeds therefrom, Edwards & Harding Petroleum Company shall pay all applicable production,

severance, excise, gathering and any other taxes based upon or measured by the value or amount of production and shall separately calculate and pay to such carried well operator for payment to the appropriate owner any royalty, excess or overriding royalty and any other non-operating or non-cost bearing burden reserved in any lease, assignment thereof or agreement relating thereto which is deducted from the share of production of such carried well operator. Such royalty, excess or overriding royalty and other non-operating or non-cost bearing burden is not to be subject to any charge for operating costs. Payment by Edwards & Harding Petroleum Company to such carried well operator of any such royalty, excess or overriding royalty or other non-operating or non-cost bearing burden shall be made within ninety (90) days after the end of the calendar month within which the production subject to such burdens is sold. Within sixty (60) days after the completion of the well covered hereby, Edwards & Harding Petroleum Company shall furnish such carried well operator an inventory of the equipment in and connected to such well and an itemized statement of the cost of drilling, completing and equipping such well for production; and each month thereafter, during the time Edwards & Harding Petroleum Company is being reimbursed as provided above, Edwards & Harding Petroleum Company shall furnish to such carried well operator an itemized statement of all costs and liabilities incurred in the operation of such well, together with a statement of the quantity of oil and gas produced therefrom and the amount of proceeds realized from the sale of the production allocable to such carried well operator's oil and gas interest in the unit during the preceding month. Edwards & Harding Petroleum Company shall also furnish to the State Oil and Gas Inspector for the Commonwealth of Virginia, copies of the same statements furnished to each carried well operator under the provisions hereof. Any amount realized from the sale or

other disposition of equipment newly acquired in connection with any operation on the well covered hereby which would have been owned by such carried well operator had such owner participated therein as a participating well operator shall be credited against the total unrecovered well costs in determining when the interest of such carried well operator shall revert to such owner as described above. When Edwards & Harding Petroleum Company recovers from such carried well operator's relinquished interest provided for above, the relinquished interest of such carried well operator shall automatically revert to such owner, and from and after such reversion, such carried well operator shall be treated as a participating well operator and shall own the same interest in such well, the material and equipment in or pertaining thereto and the production therefrom, as such owner would have been entitled to had such owner participated initially as a participating well operator in the drilling, completing and equipping of such well; and thereafter, such owner shall be charged with and shall pay the owner's proportionate part of the further costs of the operation of such well.

(B) Each well operator herein pooled owning an oil and gas interest in the prescribed unit herein in any tract in the drilling unit involved herein which interest is not subject to an oil and gas lease is hereby accorded the following options as to such interest:

(i) Participation: To participate in the working interest in and the development of the prescribed unit herein in the drilling unit involved herein by agreeing to pay such well operator's proportionate part of the actual cost of drilling, completing, equipping, operating, plugging, and abandoning of the well covered hereby and by paying as set forth herein, to Edwards & Harding Petroleum Company, such owner's proportionate part of the \$253,646.00 estimated cost of drilling, completing, equipping, operating,

plugging and abandoning of the proposed well covered hereby, or in lieu of such payment, furnishing to Edwards & Harding Petroleum Company security satisfactory to Edwards & Harding Petroleum Company for the payment thereof within 30 calendar days of the date of this Order, such participating well operator's proportionate part of the cost of, and of the production from, such well to be in the proportion that the number of net mineral acres in this unit covered by the oil and gas rights owned by such party bears to the entire number of mineral acres in this unit; or

(ii) Cash Consideration: In lieu of participating in the working interests in and the development of the pools in the drilling unit involved herein, to elect to receive a sum of FIVE DOLLARS (\$5.00) per net mineral acre owned by such owner, plus a total royalty in the amount of one-eighth of eight eights ( $1/8$  of  $8/8$ ths) of the oil, casinghead gas, gas and gas condensate produced from the well covered by this Order, the same to be delivered into the lease tanks or into the pipelines to which such well is connected, free and clear of all costs, expense and risks incurred in or in connection with drilling, equipping, operating, completing, plugging and abandoning of such well. Any well operator electing this option shall deliver under this order a net revenue interest of 87.50% of  $8/8$ ths of the oil casinghead gas, gas and gas condensate produced from the well covered by this Order, with such net revenue interest being determined by deducting from such owner's share of production the royalty provided for immediately above; and provided further, that such royalty of  $1/8$  of  $8/8$ ths and such net revenue interest of 87.50% of  $8/8$ ths shall be proportionately reduced and payable only in the proportion that the number of net mineral acres in the drilling unit covered by the oil and gas rights owned by such well operator bears to the entire number of mineral acres in this unit; or

(iii) Carried Interest: In lieu of participating in the working interest in and the development of the pools in the drilling unit involved herein as set forth in subparagraph (i) above, or electing the option set forth in subparagraph (ii) above, to elect to share in the operation of the well covered hereby on a carried basis (as a carried well operator) so that the proportionate part of the actual cost of drilling, completing, equipping, operating, plugging and abandoning of such well allocable to such carried well operator's interest is charged against such carried well operator's share of production from such well and that all of such carried well operator's oil and gas rights in the pools in the drilling unit involved herein are relinquished under this order to Edwards & Harding Petroleum Company until the proceeds from the sale of the share of production from the well accruing to such carried well operator's unleased oil and gas interest in the drilling unit involved herein, equals two hundred percent (200%) of the share of the cost of drilling and completing the well covered hereby allocable to the unleased oil and gas interest of such carried well operator, plus one hundred percent (100%) of the share of the cost of surface equipment beyond the wellhead connection of such well allocable to the unleased oil and gas interest of such carried well operator; plus one hundred percent (100%) of the carried operator's share of the costs of operating such well allocable to such carried well operator. Such carried operator's proportionate part of the costs of, and the production from, the well covered hereby is to be in the proportion that the number of net mineral acres in the unit covered by the unleased oil and gas interest owned by such carried well operators bears to the entire number of net mineral acres in this unit. During the period of time Edwards & Harding Petroleum Company is entitled to receive such carried well operator's share of production or the proceeds therefrom, Edwards &

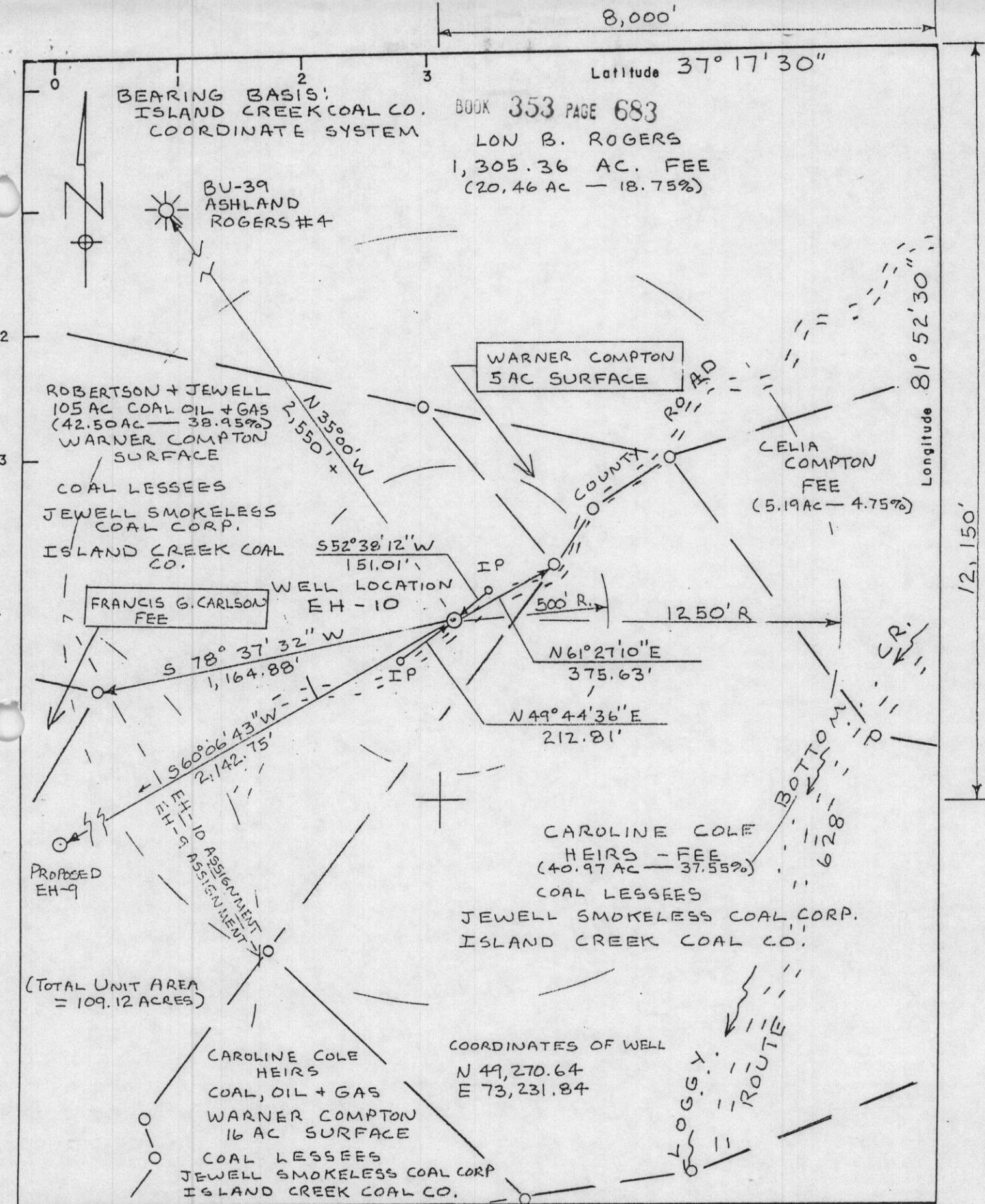
Harding Petroleum Company shall pay all applicable production, severance, excise, gathering and any other taxes based upon or measured by the value or amount of production.

Within sixty (60) days after completion of the well cover hereby, Edwards & Harding Petroleum Company shall furnish such carried well operator an inventory of the equipment in and connected to such well and an itemized statement of the cost of drilling, completing and equipping such well for production; and each month thereafter, during the time Edwards & Harding Petroleum Company is being reimbursed as provided above, Edwards & Harding Petroleum Company shall furnish to such carried well operator, an itemized statement of all costs and liabilities incurred in the operation of such well, together with a statement of the quantity of oil and gas produced therefrom and the amount of proceeds realized from the sale of the production allocable to such carried well operators unleased oil and gas interests in such unit during the preceding month. Edwards & Harding Petroleum Company shall also furnish to the State Oil and Gas Inspector for the Commonwealth of Virginia, copies of the same statements furnished to each carried well operator under the provisions hereof. Any amount realized from the sale or other disposition of the equipment newly acquired in connection with any operation on the well covered hereby which would have been owned by the carried well operator, had such owner participated therein as a participating well operator, shall be credited against the total unrecovered well costs in determining when the interest of such carried well operator shall revert to such owner as described above. When Edwards & Harding Petroleum Company recovers from such carried well operator's relinquished interest the amount provided for above, the relinquished interest of such carried well operator shall automatically revert to such owner, and from and after such reversion,

well operator, but shall be deemed to have elected to be a carried well operator. Such carried well operator's share of proceeds under the provisions of this order, after the payment therefrom of all well costs properly allocable thereto consistent with the provisions of this order, shall be paid to the Virginia Oil and Gas Conservation Board and Treasurer of Virginia and held in a separate escrow account for such carried well operator's benefit. Such carried well operator's share of proceeds shall be deemed unclaimed property and shall be disposed of as provided in The Uniform Disposition of Unclaimed Property Act, Section 55-210.1 et seq., Code of Virginia, 1950, as amended. The State Oil and Gas Inspector shall receive any such funds and administer these designated accounts.

(5) Any cash bonus which becomes payable by Edwards & Harding Petroleum Company under the provisions of (2)B.(ii), above, shall be paid or tendered within thirty (30) days after the date of this order; provided, however, if the owner entitled to such funds releases the same, or if such owner's interest in the unit involved in this cause has a defect or cloud in the title thereto, or if such owner cannot be paid such funds for any reason whatsoever other than the reasons set forth in paragraph (4) above, Edwards & Harding Petroleum Company may deposit (credit) such funds due such party into an internal escrow account established in the accounting records of Edwards & Harding Petroleum Company and such funds shall be credited to such account for the benefit of such owner. Such funds so deposited (credited) in such escrow account shall be held for the benefit of the owner entitled thereto until such funds can be paid to such owner, or such owner accepts such funds, or until such title defect or cloud is cured or removed to the satisfaction of Edwards & Harding Petroleum Company.

the total interests of all such non-defaulting well operators. In such event, each non-defaulting participating well operator shall pay such well operator's share of the



COMPANY EDWARDS + HARDING PETROLEUM CO.  
 ADDRESS P.O. BOX 2404, A BINGDON, VA 24210  
 WELL NAME EH-10  
 FARM ROBERTSON + JEWELL TRACT  
 LEASE NO. \_\_\_\_\_ ELEVATION 2452.64  
 ACRES 105 QUADRANGLE PATTERSON  
 COUNTY BUCHANAN DISTRICT GARDEN  
 REG. ENGINEER VA REG. NO. 8540  
 CERT. LAND SURVEYOR \_\_\_\_\_ CERT. NO. \_\_\_\_\_  
 FILE NO. \_\_\_\_\_ DRAWING NO. 61/88-5  
 DATE 07-24-89 SCALE 1" = 400'

This plat is  new  updated  
 This plat  is  is not based on a mine  
 coordinate system established for the areas  
 of the well location.

FORM 5

EXHIBIT "A"

**WELL LOCATION MAP**  
 WELL NO. EH-10

+ Denotes location of well on United States  
 Topographic Maps, scale 1 to 24,000, lat-  
 itude and longitude lines being represented  
 by border lines as shown.

**CERTIFICATION OF WELL PLAT**

I, the undersigned, hereby certify that  
 this plat is correct to the best of my  
 knowledge and belief, and shows all the  
 information required by law and the regu-  
 lations of the Va. Well Review Board.

D.R. Price  
 Registered Engineer or  
 Land Surveyor in Charge  
 COMMONWEALTH OF VIRGINIA  
 D.R.P.  
**D. R. PRICE**  
 LICENSE No.  
 8540  
 7/24/89

