

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANTS: Fred O'Quinn, Gary Owens, ) VIRGINIA GAS  
Pine Mountain, Justine Robinson, ) AND OIL BOARD  
and Blanche Sutherland )  
)  
RELIEF SOUGHT: Issuance of an Amended Supplemental ) DOCKET NO.  
Order Amending Prior Orders Affecting ) 93-0119-0313-02  
the Conventional Gas Drilling Unit Served )  
by Well EH-108 Located in Dickenson )  
County, VA (herein "Subject Drilling )  
Unit") to provide: (1) for the Calculation of )  
Those Funds Unit Operator Has Deposited )  
Into the Escrow Account for Subject )  
Drilling Unit; (2) to Applicants a Royalty )  
Accounting of Those Escrowed Funds )  
Attributable to Their Gas and Oil Interests )  
In Subject Drilling Unit; (3) for the )  
Disbursement to Applicants of Those )  
Escrowed Royalties Which Are Attributable )  
To Their Gas and Oil Interests in Subject )  
Drilling Unit; and (4) to amend the Pooling )  
Order to Authorize the Unit Operator to )  
Make Future Royalty Payments Directly to )  
Applicants as Their Interests Appear )

**REPORT OF THE BOARD**

**FINDINGS AND ORDER**

1. Hearing Date and Place: This matter came on for final hearing before the Virginia Gas and Oil Board (herein "Board") at 9:00 a.m. on January 15, 2002 at the Southwest Virginia Higher Education Center on the campus of Virginia Highlands Community College, Abingdon, VA.
2. Appearances: Henry Keuling-Stout, Esquire, appeared for Fred O'Quinn, Gary Owens and Pine Mountain; James E. Talkington, III, the Lands Projects Coordinator for Virginia Gas Company ("Unit Operator") appeared for the Unit Operator.
3. Jurisdiction and Notice: Pursuant to Va. Code §§ 45.1-361.1 *et seq.*, and in particular Va. Code §§ 45.1-361.21, the Board finds that it has jurisdiction over the establishment and maintenance of an escrow account for each of the drilling units established by the Board pursuant to its pooling orders, and that

the Unit Operator is required to deposit, as applicable, those funds specified in Va. Code § 45.1-361.21.D into the applicable escrow account. Further, the Board finds that while it does not have jurisdiction to resolve conflicting ownership claims to the Gas produced by the Unit Operator from the well located on Subject Drilling Unit, pursuant to Va. Code § 45.1-361.21.D, the Board does have jurisdiction and authority to disburse funds from the Escrow Account when the Board is provided with a final decision of a court of competent jurisdiction adjudicating the ownership of said Gas as between the conflicting claimants.

4. Prior Proceedings:

4.1 On February 23, 1993, the Board executed its order pooling all interests in the Subject Drilling Unit for the production of conventional gas (herein "Gas") in accordance with the provisions of Va. Code § 45.1-361.21. The Pooling Order was filed with the Clerk of the Circuit Court of Dickenson County on March 5, 1993 in Deed Book 289 at Page 751. The Board designated Virginia Gas Company as the Unit Operator of the Subject Drilling Unit. The Pooling Order was amended and supplemented by the Board's Supplemental Order Regarding Elections executed on January 3, 1994, which was filed on January 6, 1994 in Deed Book 297 at Page 385 (the Pooling Order and the Supplemental Order are herein collectively referred to as the "Pooling Order").

4.2 To the extent payments of bonus, royalty payments or other payments due and owing under the Pooling Order could not be made because the person entitled thereto could not be located or is unknown or uncertain, then such cash bonus, royalty payment or other payment was ordered deposited by the Unit Operator into an escrow account established by the Board (herein "Escrow Account"). Due to certain clouds on Applicants' title, the Unit Operator elected to deposit funds attributable to their interests into the Escrow Account.

4.3 By letter dated February 27, 2001, Attorney Henry Keuling-Stout notified the Board that Judge Keary Williams had entered a Final Decree and Order on January 29, 2001 (herein "Court Order") resolving the questions as to the title of his clients, Corbett Glen Anderson and Harry K. Anderson, as to Virginia Gas Well EH-108, and requested that the Board bring on for hearing the Applicants' request for the disbursement to them of escrowed funds attributable to their Gas interests in Subject Drilling Unit. That matter came on for hearing before the Board on July 21, 2001, and by order entered by the Board on October 24, 2001 the requested relief was granted, and 77.556 percent of the escrowed funds that were attributable to the Gas interests of Corbett Glen Anderson, Harry K. Anderson and Ruby Forcum were order disbursed from the Escrow

Account, leaving 22.444 percent of said escrowed funds in the Escrow Account that were attributable to the Gas interests of the Applicants.

4.4 Subsequent to the entry of the order referred to in Paragraph 4.3 above, the Unit Operator filed with the Board its amended Affidavit of Election, attached hereto, which indicated that the Court Order also resolved questions as to the title of the Applicants, that that there was no longer a need for funds attributable to their Gas interests in Subject Drilling Unit to be in escrow.

4.5 By letter dated December 21, 2001, the Board gave notice to the Unit Operator, the Applicants, and to the Escrow Agent that on its own motion it would again take the Court Order under consideration at its hearing on January 15, 2002, to consider whether to: (1) amend the Pooling Order to provide for the disbursement to Applicants, as their interests appear, of funds on deposit in the Escrow Account which were attributable to their Gas interests in Subject Drilling Unit; (2) amend the Pooling Order to delete the requirement that the Unit Operator place future royalties attributable to Applicants' Gas interests in Subject Drilling Unit in the Escrow Account, and (3) order the Escrow Agent to close the Escrow Account. Further, the Board ordered the Unit Operator to file with the Board a complete accounting of funds it had placed on deposit in the Escrow Account and to reconcile that accounting to the Escrow Agent's records.

4.6 The Unit Operator filed the attached accounting and allocation of funds for Subject Drilling Unit's Escrow Account with the Board reflecting Proceeds due Applicants as of 4/10/01 ("Accounting").

4.7 On March 25, 2002, the son of Alfred Compton advised the Board's attorney that Alfred Compton died in 1991, leaving several children who are entitled to the Escrowed Funds attributable to their father's gas interests in Subject Drilling Unit.

5. Findings:

5.1 Va. Code § 45.1-361.21.D provides that the escrowed funds shall be held for the benefit of those entitled thereto. Applicants have provided to the Board a final order of a court of competent jurisdiction which the Unit Operator agrees quiets title in the Applicants, a copy of which is attached hereto.

5.2 Through its Pooling Order, and the exhibits attached thereto and the Accounting, the Unit Operator certified and represented to the Board that the parties entitled to the escrowed funds were either:

- a. Mary Anderson Estate, Hazy Anderson Estate and Chrissey Anderson Estate; or
- b. Fred O'Quinn, Alfred Compton, Harry and Corbett Anderson, Gary Owens, Pine Mountain, Justine Robinson and Blanch Sutherland.

5.3 Paragraph 2 on Page 5 of the Court Order specifically provides that the Complainants Corbett Glen Anderson and Harry K. Anderson own in fee simple and absolutely and are entitled to quiet and peaceful possession of all the property granted in and described by Deed Book 260 Page 473, a deed dated August 1, 1989 [a deed conveying a portion of the Hazy Anderson 70 acre tract (sometimes described as a 61 acre tract)], and a portion of the Crissa or Chrissy Anderson 70 acre tract (sometimes described as a 90 acre tract) including without limitation all of the oil and gas subject to the rights as between Glen and Harry Anderson and Ruby A. Forcum described in the deed, except for the estate in the coal therein heretofore granted in Deed Book 18, Page 280.

5.4 Paragraph 4 on Page 6 of the Court Order specifically provides that all heirs, known and unknown, living and deceased, wheresoever situated, and of whatsoever status, be they competent, incompetent, majority, minority or otherwise of Hazy Anderson, Crissa Anderson, Mary Anderson and Charles H. Anderson, deceased, and his nine (9) children, namely: George Anderson, Elihu P. Anderson, Mary Anderson, Victor Anderson, Arlie Anderson, Grace Anderson, Florence Anderson, Stacy Anderson, and Edith Faye Anderson; the heirs of Elihu P. Anderson, including Victor Anderson, including Bill V. Anderson and Paul Anderson; and the heirs of Henry A. Anderson, have no estate, right title, lien or interests in the property granted in and described by the deed dated August 1, 1989, Dickenson County Deed Book 260, Page 473, nor in the property granted in and described by Dickenson County Deed Book 35, Page 3 (Hazy Anderson by special commissioner to John M. Skeen) or in Dickenson County Deed Book 29, Page 252 (Crissy Anderson by special commissioner to Trivitt & Pressley).

5.5 Paragraph 5 on Page 7 of the Court Order permanently enjoins all defendants in the suit from asserting any estate, title, lien or interest in or to said premises, the oil and gas estate therein, or any part thereof, except that the defendant Virginia Gas Company is not enjoined by said Decree from asserting its interests in the oil and gas estate created by the Lease dated February 13, 1992 by and between Virginia Gas Company and the complainants Glen and Harry Anderson.

5.6 At the hearing of this matter in accordance with the Accounting, Applicants requested that the Board disburse to them funds on deposit in the Board's Escrow Account as their interests appear.

5.7 The funds on deposit in the Escrow Account which are attributable to the interests of Alfred Compton, deceased, shall continue to be held in the Escrow Account until his unknown and unlocatable heirs are identified by the Unit Operator and the Board orders disbursement accordingly.

6. Relief Granted: For the reasons set forth in Paragraph 5 above, the Escrow Agent is ordered to: (a) retain on deposit in the Escrow Account the funds attributable to the following interest(s):

TO BE RETAINED IN ESCROW ACCOUNT				
Name	Net acres In unit	% interest in unit	% interest in sub-account balance	Amount (as of December 31, 2001)
Unknown and unlocatable heirs of Alfred Compton	0.80	0.64%	4.21%	\$1,489.39

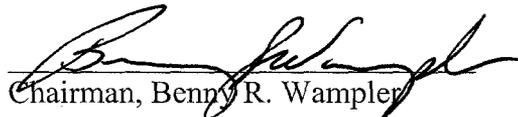
(b) disburse to the Applicants those funds attributable to their respective interests in the EH-108 unit that are currently on deposit in the Escrow Account, being those funds designated as their respective shares as of 4/10/01 in the attached Accounting, together with said proportionate share of any subsequent deposits made by the Unit Operator into the Escrow Account, less escrow fees incurred thereon, and plus interest accruing thereon to be paid as follows:

TO BE DISBURSED BY THIS ORDER				
Name	Net acres In unit	% interest in unit	% interest in sub-account balance	Amount (as of December 31, 2001)
Fred Q'Quinn C/o Henry Keuling-Stout P.O. Box 400 Big Stone Gap, VA 24219	5.16	4.10%	26.99%	\$9,541.42
Gary Owens C/o Henry Keuling-Stout P.O. Box 400 Big Stone Gap, VA 24219	0.32	0.25%	1.65%	581.79
Pine Mountain Oil and Gas C/o Henry Keuling-Stout P.O. Box 400 Big Stone Gap, VA 24219	2.44	1.94%	12.77%	\$4,514.72
Justine Robinson P. O. Box 3 Birchleaf, VA 24220	9.89	7.87%	51.81%	\$18,314.87
Blanche Sutherland Box 41 Birchleaf, VA 24220	0.50	0.39%	2.57%	\$907.60
Total Escrow to be Disbursed	18.31	14.55%	95.79%	\$33,860.40

Further, the Pooling Order is hereby modified to delete the requirement that payments attributable to Applicants' gas ownership interests in Subject Drilling Unit, as identified in Paragraph 6(b), be deposited by the Unit Operator in the Escrow Account.

7. Conclusion: Therefore, the requested relief and all terms and provisions set forth above in Paragraph 6 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 § 45.1-361.9 which provides that any order or decision of the Board may be appealed to the appropriate circuit court and that whenever a coal owner, coal operator, gas owner, gas operator, or operator of a gas storage field certificated by the State Corporation Commission is a party in such action, the court shall hear such appeal de novo.
9. Effective Date: This Order shall be effective on the date of its execution.

DONE AND EXECUTED this 27<sup>th</sup> day of March, 2002, by a majority of the Virginia Gas and Oil Board.

  
Chairman, Benny R. Wampler

DONE AND PERFORMED this 28<sup>th</sup> day of March, 2002, by an Order of this Board.

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

COMMONWEALTH OF VIRGINIA     )  
COUNTY OF WISE                     )

Acknowledged on this 27<sup>th</sup> day of March, 2002, 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, that he executed the same and was authorized to do so.

  
Susan G. Garrett  
Notary Public

My commission expires July 31, 2002

COMMONWEALTH OF VIRGINIA     )  
COUNTY OF WASHINGTON             )

Acknowledged on this 28<sup>th</sup> day of March, 2002, personally before me a notary public in and for the Commonwealth of Virginia, 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 he executed the same and was authorized to do so.

  
Diane J. Davis  
Notary Public

My commission expires September 30, 2005

**Order Recorded Under Code c  
Virginia Section 45.1-361.2**

## EXHIBIT A

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

IN RE:

Application of Virginia Gas Company for Forced Pooling of Interests in Unit Number EH-108, VGOB Docket No. VGOB-93/0119-0313-01 in the Sand Lick District of Dickenson County, Virginia

AFFIDAVIT OF Edwards & Harding Petroleum Company (now Virginia Gas Company) (herein "Designated Operator") REGARDING ELECTIONS, ESCROW AND SUPPLEMENTAL ORDER

James E. Talkington, III (herein Affiant), being first duly sworn on oath, deposes and says:

1. That your Affiant is employed by Virginia Gas Company, the Designated Operator, at its office located at 120 South Court Street, Abingdon, Virginia 24210 that your Affiant is the Designated Operator's Land Projects Coordinator, and is authorized to give this Affidavit in its behalf;
2. That the Order entered on February 23, 1993, by the Virginia Gas and Oil Board regarding the captioned CBM Unit required the Applicant to mail a true and correct copy of said Order to each person pooled by said Order;
3. That within seven (7) days of the receipt of an executed copy of the Order referred to at Paragraph 2. above, your Affiant caused a true and correct copy of said Order to be mailed via the United States Postal Service to each Respondent named in the captioned Application, whose address was known, and to all persons, if any, who were added as Respondents at the hearing held in the captioned matter; that annexed hereto and incorporated herein are copies of the letters of transmittal, receipts for certified mail, and return receipts pertaining to said mailing;
4. That the Order of the Virginia Gas and Oil Board in the captioned matter required all persons pooled thereby to tender their written elections to the Unit Operator within thirty (30) days of the date said Order was recorded in the county above named; that said Order was recorded on March 5, 1993.
5. That the Designated Operator, Edwards & Harding Petroleum Company (now Virginia Gas Company), has established procedures to review all mail received and all written documents received by means other than by mail to ascertain whether parties whose interests have been pooled have made a written election, in a timely fashion, as required by the captioned Order; that said procedures were followed to identify the elections, if any, made with regard to Subject Unit; that the following persons delivered, by mail or otherwise, written elections to the Unit Operator, within the thirty day election period:  
  

NONE
6. That the interests and/or claims of the following persons (who made timely elections, or who are deemed under the terms of the Board's Order to have leased, or who, subsequent to the pooling hearing held in the captioned matter, have leased or otherwise entered into an agreement with the Designated Operator) are subject to escrow under the Board's Order pooling the captioned Unit, Board Regulations and the Code of Virginia; that opposite the name of each person named as a Respondent listed below is set forth:

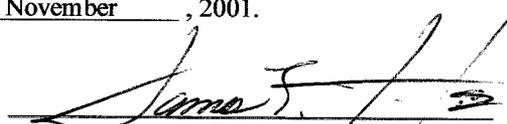
- 7. That after the pooling hearing held in the captioned matter, the following persons have leased or entered into a voluntary agreement with the Designated Operator with regard to their interests and/or claims which are not subject to escrow and should, therefore, be dismissed as Respondents:

NONE

- 8. That pursuant to the provisions of VR 480-05-22.27.C and VR 480-05-22.2.8, annexed hereto and incorporated herein is a proposed supplemental order to be entered to complete the record regarding elections; that said annexed supplemental order sets forth and identifies the conflicting claims and/or interests which no longer require escrow of funds, as per the ruling and precedent set by the Final Decree and Order entered in the Circuit Court of Dickenson County on the 29<sup>th</sup> day of January, 2001 as Case NO: CH94-39, C. Glen Anderson, etals, vs. Virginia Gas Company, etals and pursuant to the terms of Sections 45.1-361.21.D, 45.1-361.22.A.3 and 4.;

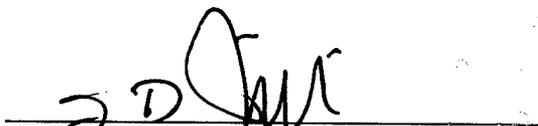
SEE ATTACHED EXHIBIT B

Dated at Abingdon, Virginia, this 27th day of November, 2001.



James E. Talkington, III  
Affiant

Taken, subscribed and sworn to before me by James E. Talkington, III, the Land Projects Coordinator of Virginia Gas Company, a corporation, on behalf of the corporation, this 27th day of November, 2001.

  
Justin B. Phillips  
Notary Public

My commission expires: 3/3102

**UNIT EH -108**

Docket No. VGOB 93/0119/0313-01

Exhibit B

**List of Claimants that no longer require escrow**

	<u>Net Acres In Unit</u>	<u>Interest in Unit</u>	
<b>I. OIL &amp; GAS OWNERSHIP</b>			
Fred O'Quinn Star Route, Box 86 Birchleaf, VA 24220	5.16	4.10	
Alfred Compton P.O. Box 86 Birchleaf, VA 24220	0.80	0.64	
Gary Owens Box 36 Birchleaf, VA 24220	0.32	0.25	
Pine Mountain Oil & Gas Box 7 Dante, VA 24237	2.44	1.94	
Justine Robinson P. O. Box 3 Birchleaf, VA 24220	9.89	7.87	
Blanche Sutherland Box 41 Birchleaf, VA 24220	0.50	0.39	
C. Glenn Anderson, etals 5482 Riverwalk Drive Kings Mill, OH 45034	65.95	52.49	Dispersed

BK 374 PG 102



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VGOB_Code	VGOB_OperatorCode	VGOB_Operato	Start_Balance	Deposit	Interest	Payment	End_Balance
93-0119-0313	VGC	EH-108	156127.35	-120820.22	42.66	0	35349.79
93-0119-0313T1	VGC	EH-108	0	0	0	0	0
93-0119-0313T1R1	C. GLEN ANDERSON	5482 RIVER	0	40362.04	0	-40362.04	0
93-0119-0313T1R2	HARRY K. ANDERSON	132 HILLCR	0	40362.04	0	-40362.04	0
93-0119-0313T1R3	RUBY FORCUM	1 BORDE AQ	0	40362.07	0	-40362.07	0

Attn: Jim Tallington

INSTRUMENT #020000626  
 RECORDED IN THE CLERK'S OFFICE OF  
 DICKENSON DN  
 MARCH 28, 2002 AT 10:31AM  
 JOE TATE, CLERK

BY: *Sherry Baker*

VIRGINIA: IN THE OFFICE OF THE CLERK OF THE CIRCUIT COURT OF DICKENSON COUNTY, March 28, 2002. This deed was this day presented in said office, and upon the certificate of acknowledgment thereto annexed, admitted to record at 10:31 o'clock A.M., after payment of \$      tax imposed by Sec. 58.1-802.

Original returned this date to: Diane Davis

TESTE: JOE TATE, CLERK  
 BY: Sherry Baker D. CLERK

COMMONWEALTH OF VIRGINIA



OFFICIAL RECEIPT  
DICKENSON CIRCUIT COURT  
DEED RECEIPT

DATE: 03/28/02 TIME: 10:31:56 ACCOUNT: 051CLR020000684 RECEIPT: 02000001797  
CASHIER: TJS RES: DK06 TYPE: OTHER PAYMENT: FULL PAYMENT  
INSTRUMENT : 020000684 BOOK: 374 PAGE: 092 RECORDED: 03/28/02 AT 10:31  
GRANTOR NAME : VIRGINIA GAS & OIL BOARD EX: N LOCALITY: CO  
GRANTEE NAME : EQUITABLE PRODUCTION COMPANY EX: N PERCENT: 100%  
AND ADDRESS :  
RECEIVED OF : BEST MINES MINERAL ENERGY DATE OF DEED: 03/28/02

CHECK : \$21.00  
DESCRIPTION 1: REPORT OF THE BOARD FINDINGS & ORDERS PAGES: 11  
2: MAPS: 0

CONSIDERATION: .00 ASSUME/VAL: .00  
CODE DESCRIPTION PAID CODE DESCRIPTION PAID  
301 DEEDS 21.00  
TENDERED : 21.00  
AMOUNT PAID: 21.00  
CHANGE AMT : .00

CLERK OF COURT: JOE TATE

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(1167-039 1201)

**Virginia Gas and Oil Board Escrow  
First Union National Bank as Agent**

**Operator Name - 93-0119-0313**

**Operation Unit - EH-108**

**VGOB - 93-0119-0313**

**March 1 - 31, 2002**

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<b>Starting Balance</b>	<b>Deposits</b>	<b>Interest</b>	<b>Payments</b>	<b>Ending Balance</b>
35,673.26	-34,171.40	0.88	0.00	1,502.74

VIRGINIA GAS COMPANY UNIT EH-108

Total Acreage in unit - 125.66 acres

Net acreage subject to escrow under Board order - 85.06 acres

Percent of unit subject to escrow - 67.68%

Percent of escrow account previously dispersed - 77.556%

Percent of escrow account to be disbursed by this order - 22.444%

Sub-account balance as of December 31, 2001 - \$35,349.79

TO BE DISBURSED BY THIS ORDER				
Name	Net acres In unit	% interest in unit	% interest in sub-account balance	Amount (as of December 31, 2001)
Fred Q'Quinn Star Route, Box 86 Birchleaf, VA 24220	5.16	4.10%	26.99%	\$9,541.42
Alfred Compton P. O. Box 86 Birchleaf, VA 24220	0.80	0.64%	4.21%	\$1,489.39
Gary Owens Box 36 Birchleaf, VA 24220	0.32	0.25%	1.65%	\$581.79
Pine Mountain Oil and Gas P. O. Box 5100 Lebanon, VA 24266	2.44	1.94%	12.77%	\$4,514.72
Justine Robinson P. O. Box 3 Birchleaf, VA 24220	9.89	7.87%	51.81%	\$18,314.87
Blanche Sutherland Box 41 Birchleaf, VA 24220	0.50	0.39%	2.57%	\$907.60

*R. Hew*  
2-14-02