

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: FOCAHONTAS GAS PARTNERSHIP)
RELIEF SOUGHT: MODIFICATION OF VIRGINIA GAS)
AND OIL BOARD ORDER NO. VGOB)
91-1119-0162 ENTERED MAY 28, 1992)
AND EFFECTIVE AS OF DECEMBER 17,)
1991, FOR THE PURPOSE OF EXTENDING)
THE BOUNDARIES OF THE OAKWOOD)
COALBED METHANE GAS FIELD)
TO INCLUDE AN AREA IN BUCHANAN)
COUNTY, VIRGINIA, AS DESCRIBED)
IN PARAGRAPH 7.a. BELOW AND)
DEPICTED ON THE PLATS ATTACHED)
HERETO AS EXHIBITS A AND B)
(herein sometimes referred to)
as "Hurricane Branch Extension"))
AND TO ESTABLISH DRILLING UNITS)
WITHIN SAID HURRICANE BRANCH)
EXTENSION)
LEGAL)
DESCRIPTION: BUCHANAN COUNTY, VIRGINIA)
(SEE DESCRIPTION SET FORTH)
IN PARAGRAPH 7.a. BELOW AND)
PLATS ATTACHED HERETO AS)
EXHIBITS A AND B)
Docket No. VGOB)
92-0216-0336)
Docket No. VGOB)
93-0316-0349)

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 February 16, 1993, Dickenson Conference Room, Southwest Virginia 4-H Center, Abingdon, Virginia.
2. Appearance: Elizabeth McClanahan of the law firm of Penn, Stuart, Eskridge & Jones appeared for the Applicant; Mark A. Swartz appeared of OXY USA, Inc. and Island Creek Coal Company; Kyle Robinson, Melleg Estridge and Charles Presley appeared pro se; and Sandra B. Riggs, Assistant Attorney General, was present to advise the Board.
3. Jurisdiction and Notice: Pursuant to Sections 45.1-361.1 et seq., Virginia Code, 1950 as amended, 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 or oil owner, coal owner, or mineral owner, or in the case of conflicting claims to the ownership of the coalbed methane gas, each person identified by the Applicant as a potential owner of the coalbed methane gas underlying the area described in Paragraph 7.a. below and depicted in the plats attached hereto as Exhibit A and Exhibit B, and (2) has given notice to all parties so identified (hereafter sometimes "person(s)") whether referring to individuals, corporations, partnerships, associations, companies, businesses, trusts, joint ventures or other legal entities) and entitled by §§ 45.1-361.19 and 45.1-361.20, Virginia Code, 1950 as amended, to notice of this application, and (3) that the persons set forth in Exhibit C hereto are the persons so identified by Applicant. Further, the Board has caused notice of this hearing to be published as required by §45.1-361.19.B., Virginia Code, 1950 as amended.

Whereupon, the Board hereby finds that the notices given herein satisfy all statutory requirements, Board rule requirements and the minimum standards of state due process.

4. Amendments: None.

5. Dismissals: None.

6. Relief Requested: Applicant seeks to modify the coalbed methane gas field (herein the "Oakwood II Field") as established by Order No. VGOB-91-1119-0162 dated May 28, 1992, and effective December 17, 1991, (hereinafter the "Oakwood II Order") to: (a) extend the boundaries of the Oakwood II Field as originally established by the Oakwood II Order to include that area in Buchanan County, Virginia, described in Paragraph 7.a. below and depicted in the Plats attached as Exhibits A and B, (herein "Hurricane Branch Extension") for the exploration, development and production of Unsealed Gob Gas, Short Hole Gas and Gas from any Well authorized by the Code of Virginia (sometimes herein collectively referred to as "Coalbed Methane Gas" or "Gas") from all seams below the Tiller Seam, including but not limited to the Upper Seaboard, Greasy Creek, Middle Seaboard, Lower Seaboard, Upper Horsepen, Middle Horsepen, War Creek, Lower Horsepen, Pocahontas No. 9, Pocahontas No. 8, Pocahontas No. 7, Pocahontas No. 6, Pocahontas No. 5, Pocahontas No. 4, Pocahontas No. 3, Pocahontas No. 2 and various unnamed seams and all zones in communication therewith and all productive extensions thereof (hereinafter the "Pool"); (b) extend the applicability of the Oakwood II Order, as modified hereby, to all Operators exploring, developing and producing Coalbed Methane Gas from unsealed gob areas, short holes, or Wells authorized by the Code of Virginia to the Hurricane Branch Extension; and (c) establish drilling units for the Hurricane Branch Extension of the Oakwood II Field in accordance with the criteria set forth in the Oakwood II Order and as depicted in Exhibit B hereto.

7. Relief Granted: Available data and the evidence adduced at the hearing show that the Pool underlying the Hurricane Branch Extension has the same characteristics as, and a similar nature to, the Pool underlying the Oakwood II Field and that their combined areas should be treated as a common coalbed methane pool or reservoir subject to the field rules established by: (1) the Oakwood II Order, as amended hereby (collectively "Oakwood II Order"); and (2) OGCB Order No 3-90 entered May 18, 1990 as amended on April 5, 1993 by VGOB Order No. 93-0216-0325 (collectively "Oakwood I Order"); therefore, the requested relief in this cause be and hereby is granted. Pursuant to § 45.1-361.20, Code of Virginia, 1950 as amended, the Oakwood II Order is modified and amended in the following respects:

a. Paragraph Numbered 7.b. of the Oakwood II Order is amended to provide that in addition to the area included within the Oakwood II Field as set forth and described in said Paragraph 7.b., the boundaries of the Oakwood II Field are extended to include the Hurricane Branch Extension, an area bounded as follows:

Beginning at a point Virginia (South Rectangular) State Plane Coordinate N 345,234 E 1,017,643 thence S 87° 15' 19" E 11,195.84 feet to a point (N 344,815 E 1,028,831), thence S 02° 00' 35" W 16,851.37 feet to a point (N 327,974 E 1,028,240), thence N 87° 50' 10" W 11,203.99 feet to a point (N 328,397 E 1,017,044), thence N 02° 02' 15" E 16,847.65 feet to the point of Beginning, containing 4,320 acres, more or less.

The area described in Paragraph 7.b. of the Oakwood II Order when combined with the Hurricane Branch Extension shall be considered a distinct coalbed methane reservoir or pool and the same be and hereby are collectively denominated the "Oakwood Coalbed Methane Gas Field II".

b. Paragraph 7.d. of the Oakwood II Order is amended to provide that the drilling units established for the Oakwood Coalbed Methane Gas Field II shall be aligned and arranged so that they shall constitute a grid as depicted on both the map attached to the Oakwood II Order as Exhibit A and the map attached hereto as Exhibit B.

c. Paragraph 7.e. of the Oakwood II Order is deleted in toto and replaced with the following language:

In conjunction with the Oakwood I Order, establishes a uniform method of development in the Oakwood Coalbed Methane Gas Field II for the various methods and phases of production both before, during and after long wall mining of the coal seams located therein. Specifically, the Board adopts the following method for calculation of production, revenue and costs for production of Coalbed Methane Gas from Short Hole, Unsealed Gob or any well authorized by the Code of Virginia dependent upon the particular long wall mining plan applicable to each 80-acre unit once the long wall panel(s) located in the drilling unit has been isolated by the driving of entries. (The following method of calculation shall not, however, apply to wells producing under the Oakwood I Order unless and until the circumstances contemplated by subparagraph 3.i. below have occurred.) The designated operator of any 80-acre drilling unit or units within the boundaries of which any long wall panel which has been isolated by the driving of entries is located and from which Unsealed Gob Gas, Short Hole Gas or Gas from any Well authorized by the Code of Virginia is produced, shall calculate production and revenue based upon the mine plan as implemented within each affected 80-acre drilling unit and in particular, based upon the mineral acreage, as platted upon the surface, in each 80-acre drilling unit actually contained within a long wall panel as depicted by said mine plan. Except as otherwise provided herein, a copy of the pertinent portion of the mine plan being utilized to calculate production, revenue and costs from any affected 80-acre drilling unit shall be filed of record with the Board prior to the payment of any revenue based upon such calculations. The formula or division of interest for production from any 80-acre drilling unit affected by a long wall panel and from any separately owned tract in any such 80-acre unit shall be calculated as follows:

1. For Short Hole Gas - The amount of production produced from and attributed to each 80-acre drilling unit shall be the ratio (expressed as a percentage) that the amount of mineral acreage, when platted on the surface, which is both in the affected unit and the long wall panel, bears to the total mineral acreage, when platted on the surface, contained within the entire long wall panel affecting such 80-acre drilling unit.
2. For Unsealed Gob Gas - The amount of production produced from and attributed to each 80-acre drilling unit shall be the ratio (expressed as a percentage) that the amount of mineral acreage, when platted on the surface, which is both in the affected unit and the long wall panel bears to the total mineral acreage, when platted on the surface, contained within the entire long wall panel affecting such 80-acre drilling unit.

3. i. For Gas from Any Well Located in a Long Wall Panel.
After actual commencement of coal operations by the driving of entries and completion of isolation of a long wall panel, the amount of Gas produced from such a well and attributed to each 80-acre drilling unit shall be the ratio (expressed as a percentage) that the amount of mineral acreage, when platted on the surface, which is both in the affected 80-acre drilling unit and the isolated long wall panel, bears to the total mineral acreage, when platted on the surface, contained within the entire long wall panel affecting such 80-acre drilling unit.

ii. Prior to the actual commencement of coal mining operations by the driving of entries and completion of isolation of a long wall panel, gas from any well located in a proposed long wall panel shall be produced from and allocated to only the 80-acre drilling unit in which the well is located.

d. Paragraph 7.f. of the Oakwood II Order is deleted in toto and replaced with the following:

Provides that the Virginia Gas and Oil Inspector is specifically authorized by the Board to, in his discretion, authorize the drilling of more than one well per unit pursuant to the provisions of § 45.1-361.20.C., Code of Virginia; however, the costs of drilling and operating such wells as are authorized by the Inspector hereunder in units which are force pooled by order of the Board may not be allocated to participants or carried interest owners unless and until such allocation is approved by Board order.

e. The Oakwood II Order, as amended hereby, shall apply to all Operators exploring, developing and/or producing coalbed methane gas within the Oakwood Coalbed Methane Gas Field II.

f. Except as specifically modified by Paragraphs 7.a., 7.b., 7.c., 7.d. and 7.e hereof, the Oakwood II Order shall remain in full force and effect in accordance with its terms which are hereby extended in their application to the Hurricane Branch Extension within the Oakwood Coalbed Methane Gas Field II.

8. Special Findings:

a. The strata within the Hurricane Branch Extension consists of sandstone, shales and coals of the Lower Pennsylvania Pottsville Group. The formations in ascending stratigraphic order are the Pocahontas (which contains the Pocahontas No. 3 seam) and the New River. There is approximately 800 feet of stratigraphic section between the Pocahontas No. 3 seam horizon and the New River formation horizon. Structurally, this area lies in the asymmetrical, southwesterly plunging Dry Fork Anticline. Strata dips are to the northwest at approximately 1 degree. The Dry Fork Anticline plunges approximately 0.5 degrees to the Southwest.

b. Applicant claims a right to explore for, develop and produce coalbed methane gas underlying 80.593% of the lands encompassed within the boundaries of the Hurricane Branch Extension.

c. The evidence presented indicates that the boundaries of the Pool underlying the Oakwood Coalbed Methane Gas Field II may extend even beyond the Hurricane Branch Extension; however, the Board did not have before it at the time of the hearing sufficient information to determine the extent, beyond the

Hurricane Branch Extension, to which the boundary of the Pool might extend, and, therefore, the Board reserves ruling on extending said boundary of the Pool beyond the Hurricane Branch Extension until such time as it has more complete evidence before it to define the ultimate extent of the pool.

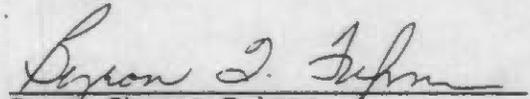
9. Conclusion: Therefore, the requested relief in accordance with the terms and provisions set forth in Paragraph 7 above be and hereby are granted and IT IS SO ORDERED.

10. Effective Date: This Order shall be effective as of February 16, 1993, the date of the hearing on this matter.

DONE AND EXECUTED this 23rd day of June, 1993, by a majority of the Virginia Gas and Oil Board.

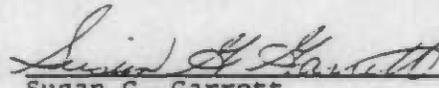

Chairman Benny R. Wampler

DONE AND PERFORMED this 23rd day of June, 1993, by Order of this Board.


Byron Thomas Fulmer
Principal Executive to the Staff
Virginia Gas and Oil Board

STATE OF VIRGINIA)
COUNTY OF WISE)

Acknowledged on this 23rd day of June, 1993, personally before me a notary public in and for the Commonwealth of Virginia, appeared Benny Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.


Susan G. Garrett
Notary Public

My commission expires 7/31/94

STATE OF VIRGINIA)
COUNTY OF WASHINGTON)

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personally before me a notary public in and for the Commonwealth of Virginia,
appeared Byron Thomas Fulmer, 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
Diane J. Davis
Notary Public

My commission expires 9/30/97

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: POCAHONTAS GAS PARTNERSHIP)
RELIEF SOUGHT: MODIFICATION OF VIRGINIA GAS) DIVISION OF
AND OIL BOARD ORDER NO. VGOB) GAS AND OIL
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3. Jurisdiction and Notice: Pursuant to Sections 45.1-361.1 et seq., Virginia Code, 1950 as amended, 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 or oil owner, coal owner, or mineral owner, or in the case of conflicting claims to the ownership of the coalbed methane gas, each person identified by the Applicant as a potential owner of the coalbed methane gas underlying the area described in Paragraph 7.a. below and depicted in the plats attached hereto as Exhibit A and Exhibit B, and (2) has given notice to all parties so identified (hereafter sometimes "person(s)") whether referring to individuals, corporations, partnerships, associations, companies, businesses, trusts, joint ventures or other legal entities) and entitled by §§ 45.1-361.19 and 45.1-361.20, Virginia Code, 1950 as amended, to notice of this application, and (3) that the persons set forth in Exhibit C hereto are the persons so identified by Applicant. Further, the Board has caused notice of this hearing to be published as required by §45.1-361.19.B., Virginia Code, 1950 as amended.

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d. Paragraph 7.f. of the Oakwood II Order is deleted in toto and replaced with the following:

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8. Special Findings:

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c. The evidence presented indicates that the boundaries of the Pool underlying the Oakwood Coalbed Methane Gas Field II may extend even beyond the Hurricane Branch Extension; however, the Board did not have before it at the time of the hearing sufficient information to determine the extent, beyond the

Hurricane Branch Extension, to which the boundary of the Pool might extend, and, therefore, the Board reserves ruling on extending said boundary of the Pool beyond the Hurricane Branch Extension until such time as it has more complete evidence before it to define the ultimate extent of the pool.

9. Conclusion: Therefore, the requested relief in accordance with the terms and provisions set forth in Paragraph 7 above be and hereby are granted and IT IS SO ORDERED.

10. Effective Date: This Order shall be effective as of February 16, 1993, the date of the hearing on this matter.

DONE AND EXECUTED this 23rd day of June, 1993, by a majority of the Virginia Gas and Oil Board.


Chairman Benny R. Wampler

DONE AND PERFORMED this 23rd day of June, 1993, by Order of this Board.


Byron Thomas Fulmer
Principal Executive to the Staff
Virginia Gas and Oil Board

STATE OF VIRGINIA)
COUNTY OF WISE)

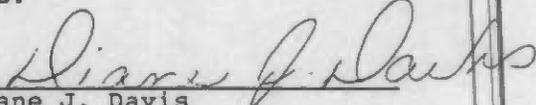
Acknowledged on this 23rd day of June, 1993, personally before me a notary public in and for the Commonwealth of Virginia, appeared Benny Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.


Susan G. Garrett
Notary Public

My commission expires 7/31/94

STATE OF VIRGINIA)
COUNTY OF WASHINGTON)

Acknowledged on this 23rd day of June, 1993,
personally before me a notary public in and for the Commonwealth of Virginia,
appeared Byron Thomas Fulmer, 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 9/30/97