

V I R G I N I A:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT:	VIRGINIA GAS COMPANY	) VIRGINIA GAS
		) AND OIL BOARD
RELIEF SOUGHT:	MODIFICATION OF THE EARLY GROVE GAS AND	)
	OIL FIELD OF WASHINGTON AND SCOTT	) DOCKET NO.
	COUNTIES, VIRGINIA AS ESTABLISHED BY	) VGOB 94-0621-0449
	ORDER ENTERED MARCH 20, 1989	)
	(RELATING NUNC PRO TUNC TO	)
	AUGUST 10, 1988) AND TEMPORARY ORDER	) (MODIFICATION OF
	IN VGOB DOCKET NO. 92-0721-0233, AS	) ORDER VGOB
	MODIFIED BY ORDERS IN VGOB 93-0817-0397,	) 92-0721-0233 AS
	VGOB 93-0921-0404 AND VGOB 93-1019-0410,	) MODIFIED BY ORDERS
	FOR THE TESTING OF THE PRICE AND LITTLE	) VGOB 93-0817-0397,
	VALLEY FORMATIONS' SUITABILITY AS A	) 93-0921-0404, and
	STORAGE RESERVOIR WITHIN THE TWENTY-	) 93-1019-0410)
	ONE (21) DEVELOPED DRILLING UNITS	)
	DEPICTED IN COMPOSITE EXHIBIT A HERETO	)
	(herein collectively "Subject Units")	)
	COMPRISING THE EARLY GROVE GAS AND OIL	)
	FIELD (herein "Early Grove")	)
		)
		)
LEGAL	CERTAIN LANDS IN WASHINGTON AND SCOTT	)
DESCRIPTION:	COUNTIES, VIRGINIA (SEE DESCRIPTION	)
	AND PLAT ATTACHED AS COMPOSITE EXHIBIT	)
	"A" HERETO) (herein "Subject Lands")	)

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 June 21, 1994, Dickenson Conference Room, Southwest Virginia 4-H Center, Abingdon, Virginia.

2. Appearances: Michael L. Edwards, President, appeared for the Applicant; and Sandra B. Riggs, Assistant Attorney General, was present to advise the Board.

3. Jurisdiction and Notice: Pursuant to Va. Code Ann. §§ 45.1-361.1 et seq. (Michie Supp. 1993), 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 potential owners, i.e., persons of record, having or claiming the rights to the oil, gas, coal and minerals underlying the Subject Units comprising Early Grove; and (2) has given notice to all parties, having an interest in the coal, oil, gas and minerals underlying the Subject Units (hereafter sometimes "person(s)" whether referring to individuals, corporations, partnership, associations, companies, businesses, trusts, joint ventures or other legal entities), entitled by Va. Code Ann. §§ 45.1-361.19 and 45.1-361.20 (Michie Supp. 1993) to notice of this application. Further, the Board has caused notice of this hearing to be published as required by Va. Code Ann. § 45.1-361.19.B (Michie Supp. 1993).

4. Amendments: None.

5. Dismissals: None.

6. Relief Requested: Applicant requests that the Board: (1) grant a modification of the order entered on March 20, 1989, effective as of August 10, 1988 (herein "Early Grove Order"), and a modification of the order entered on April 16, 1993, established under docket number VGOB 92-0721-0233 (herein "Temporary Order") and modified by Board Orders in VGOB 93-0817-0397, VGOB 93-0921-0404 and VGOB 93-1019-0410 (herein collectively "Modification Orders") for the testing of the Price and Little Valley formations (herein collectively "Subject Formation") for suitability as a gas storage reservoir to test the Subject Formation underlying the lands more particularly described in Exhibit "A" hereto and depicted on the Plat attached as Exhibit B hereto (herein "Subject Lands"), for the purposes of determining whether Subject Formation is suitable for gas storage purposes; (2) extending the Testing Period established by the terms of the Temporary Order and the Modification Orders for five (5) years from November 1, 1995 through November 1, 2000, (3) modify the Temporary Order to provide that the operator may drill and operate two (2) wells within each of the units depicted on Exhibit B (herein "Subject Units") and (3) redesignate Applicant, Virginia Gas Company, as the Operator for testing of the Subject Units.

7. Reasons Relief Should Be Granted: The application and/or the uncontroverted testimony and evidence presented to the Board at the hearing reflects that:

a. The persons named in Exhibit B hereto may be owners of the coal, oil, gas and minerals within the Subject Units underlying Subject Lands located within Early Grove.

b. Virginia Gas Company claims control of 99.73312 percent of the oil and gas underlying the Subject Lands, and claims the right to explore for, develop and produce the oil and gas underlying 99.73312 percent of the Subject Lands.

c. The Subject Lands which are bounded and described according to Virginia (South Rectangular) State Plane Coordinates as depicted on Exhibit A hereto reflect the geographic location of the outside boundaries of the testing area.

8. Relief Granted: Pursuant to Va. Code. Ann. §§ 45.1-361.1, et seq. (Michie Supp. 1993); VR 480-05-22.1 (1991), Virginia Gas and Oil Board Regulations, and VR 480-05-22.2 (1991), Virginia Gas and Oil Board Regulations; the Early Grove Order; the Temporary Order; and the Modification Orders, the Virginia Gas and Oil Board ORDERS as follows:

The Board grants the application of Virginia Gas Company to modify the Early Grove Order, the Temporary Order, and the Modifications Orders in the following respects:

a. The Board approves the Subject Lands and the wells located thereon for the testing of the Price and/or Little Valley Formations within Subject Units pursuant to the terms of the Early Grove Order, Temporary Order, the Modification Orders all as modified herein.

b. The Operator may drill and operate a maximum of two (2) wells on each of the Subject Units.

c. The Board redesignates Applicant, Virginia Gas Company, as the Operator for the Subject Units and grants Operator the right to continue the testing in the Subject Units the Price and Little Valley Formations underlying Subject Lands all as authorized by the Temporary Order and the Modification Orders, as hereby amended, until further order of the Inspector or the Board or through November 1, 2000 whichever event occurs first (herein the "Testing Period"), in conformance with the procedures set forth by the Applicant in its

prior testimony before the Board, including, but not limited to: (1) conducting injectivity tests; (2) recording the pressures and volumes encountered in the Wells; (3) acquiring data; and (4) evaluating and analyzing the formation to determine whether it has adequate injectivity and deliverability to make the field suitable as a gas storage reservoir.

d. The Operator shall take precaution during the testing phase to maintain the integrity of the well bore for each Well.

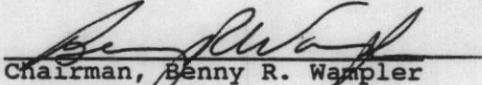
e. The Operator, having heretofore commenced testing pursuant to the authority granted by the Temporary Order and/or the Modification Orders, shall no longer be required to report to the Inspector on a monthly basis through completion of the Testing Period, but shall maintain a complete and accurate record of the quantities or volumes of gas stored and/or removed from the Subject Units and shall report same to the Inspector if and when requested by the Inspector or the Board. The Operator shall also monitor the wellhead pressures from the Subject Units and shall maintain a complete and accurate record of same and report them to the Virginia Gas and Oil Inspector if and when requested by the Inspector or the Board.

f. The Operator will continue to pay the royalty owners in the Subject Units as if testing was not being conducted. If "native gas" is removed during the Testing Period, Operator will calculate the amount of "native gas" removed based upon a production decline curve and the royalty owners will be paid royalties on such "native gas" according to the terms of the oil and gas leases or according to any Board pooling orders covering the Subject Units. In order to separate and protect the rights of royalty owners and the Operator during the Testing Period, in relation to amounts of native gas in place and non-royalty gas, accurate records of pressure and the volume of all gas in each well shall be kept by the Operator. Upon the start of withdrawals of gas, historical pressure data, production decline data, and accurate records of stored gas volumes will be used to determine between the predicted production and the adjusted production as a result of any additional volumes of gas for testing purposes. Comparison of the predicted production and the actual production shall be used to determine a percentage of the actual production that shall be used to define the amounts of gas that will be non-royalty gas and the amount that is native gas, until such time as the Operator has recovered the volume of gas that was stored for testing purposes.

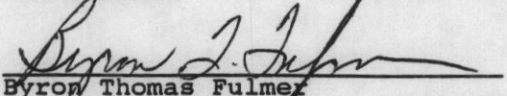
g. The Inspector may make or cause to be made any inspection or surveys deemed necessary to ensure that the provisions of this Order are met.

9. Effective Date: This Order shall be effective as of June 21, 1994, and shall expire and become null and void on a date which is the earlier of: (1) completion of the Testing Period or (2) a date of termination hereafter established by Order of the Inspector or the Board.

DONE AND EXECUTED this 1st day of November, 1994, by a majority of the Virginia Gas and Oil Board.

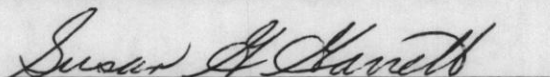

Chairman, Benny R. Wampler

DONE AND PERFORMED this 1st day of November, 1994, by Order of this Board.


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

STATE OF VIRGINIA)
COUNTY OF WISE)

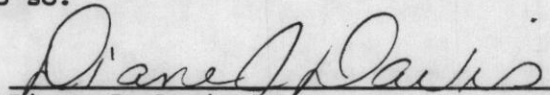
Acknowledged on this 1st day of November, 1994, personally before a notary public in and for the Commonwealth of Virginia, appeared Benny Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.


Susan G. Garrett
Notary Public

My commission expires 07/31/98

STATE OF VIRGINIA)
COUNTY OF WASHINGTON)

Acknowledged on this 15th day of November, 1994, personally before 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 09/30/97

COMPOSITE EXHIBIT "A"

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Early Grove is bounded and described as follows:

BEGINNING at a point, Virginia (South Rectangular) State Plane Coordinates System, N 131,142.50 E 871,774.69; thence N 04-58-08 W 1,929.46 feet to a point (N 133,064.71 E 871,607.57); thence N 04-27-45 W 1,653.77 feet to a point (N 134,713.47 E 871,472.90); thence N 87-15-31 E 207.85 feet to a point (N 134,723.41 E 871,686.51); thence N 53-46-26 E 64.25 feet to a point (N 134,761.38 E 871,738.34); thence S 88-08-40 E 203.23 feet to a point (N 134,754.80 E 871,941.46); thence N-05-19-21 W 1,826.52 feet to a point (N 136,573.45 E 871,772.03); thence N 64-18-47 E 362.94 feet to a point (N 136,730.76 E 872,099.10); thence S 49-24-59 E 322.66 feet to a point (N 136,520.86 E 872,344.15); thence N-84-28-10 E 227.79 feet to a point (N 136,542.81 E 872,570.87); thence N 04-01-31 W 1,107.96 feet to a point (N 137,648.04 E 872,493.10); thence N 76-55-46 E 2,250.18 feet to a point (N 138,156.91 E 874,684.98); thence N 85-24-08 E 1,320.00 feet to a point (N 138,262.73 E 876,000.73); thence N 04-35-52 W 616.55 feet to a point (N 138,877.30 E 875,951.31); thence N 85-24-08 E 1,319.90 feet to a point (N 138,983.10 E 877,266.96); thence S 04-35-07 E 453.74 feet to a point (N 138,530.82 E 877,303.33); thence N 85-24-08 E 1,321.03 feet to a point (N 138,636.72 E 878,620.11); thence N 03-40-52 W 773.87 feet to a point (N 139,408.99 E 878,570.43); thence N 86-19-08 E 999.03 feet to a point (N 139,473.14 E 879,567.40); thence N 02-52-52 W 91.49 feet to a point (N 139,564.52 E 879,562.80); thence N 85-24-08 E 1,914.99 feet to a point (N 139,718.03 E 881,471.62); thence N 09-33-06 W 255.72 feet to a point (N 139,970.20 E 881,429.19); thence N 71-12-52 W 271.01 feet to a point (N 140,057.47 E 881,172.61); thence N 04-35-52 W 312.83 feet to a point (N 140,369.29 E 881,147.54); thence N 85-30-15 E 3,965.13 feet to a point (N 140,680.11 E 885,100.47); thence S 04-35-52 E 494.84 feet to a point (N 140,186.55 E 885,140.14); thence N 69-17-49 E 1,039.65 feet to a point (N 140,554.39 E 886,112.65); thence N 54-54-46 E 576.12 feet to a point (N 140,885.56 E 886,584.07); thence N 79-22-19 E 344.63 feet to a point (N 140,949.12 E 886,922.79); thence N 75-40-20 E 922.10 feet to a point (N 141,177.31 E 887,816.21); thence S 14-46-16 E 1,447.24 feet to a point (N 139,777.90 E 888,185.19); thence S 72-41-38 W 1,724.72 feet to a point (N 139,264.83 E 886,538.55); thence S 04-35-52 E 2,640.00 feet to a point (N 136,633.33 E 886,750.18); thence S 85-24-08 W 1,320.00 feet to a point (N 136,527.51 E 885,434.42); thence N 04-35-52 W 221.79 feet to a point (N 136,739.89 E 885,417.34); thence S 85-12-47 W 2,645.13 feet to a point (N 136,527.85 E 882,780.73); thence S 04-35-52 E 840.04 feet to a point (N 135,690.51 E 882,848.07); thence S 85-24-08 W 1,593.53 feet to a point (N 135,562.77 E 881,259.67); thence S 04-35-52 E 1,244.96 feet to a point (N 134,321.82 E 881,359.47); thence S 85-24-08 W 1,046.47 feet to a point (N 134,237.93 E 880,316.37); thence S 85-24-08 W 1,315.35 feet to a point (N 134,132.19 E 879,005.25); thence S 04-35-52 E 696.15 feet to a point (N 133,438.58 E 879,061.05); thence S 85-24-08 W 1,343.76 feet to a point (N 133,330.86 E 877,721.62); thence N 04-35-52 W 800.41 feet to a point (N 134,128.69 E 877,657.46); thence S 85-24-08 W 1,320.00 feet to a point (N 134,022.88 E 876,341.70); thence N 04-35-52 W 291.04 feet to a point (N 134,312.98 E 876,318.37); thence S 85-24-08 W 2,656.15 feet to a point (N 134,100.06 E 873,670.77); thence S 02-46-50 E 754.10 feet to a point (N 133,346.84 E 873,707.35); thence S 84-54-32 E 54.72 feet to a point (N 133,341.99 E 883,761.85); thence S 02-40-03 E 1,385.13 feet to a point (N 131,958.36 E 873,826.32); thence S 68-18-50 W 2,207.89 feet to the beginning.

