BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT:	**POCAHONTAS GAS PARTNERSHIP**	)
		)
RELIEF SOUGHT:	**FORCE POOLING OF THE Y-31 UNIT**	) **Docket No. VGOB-95/04/18-0505**
		)
LEGAL		)
DESCRIPTION:	**OAKWOOD FIELD II UNIT Y-31**	)
	KEEN MOUNTAIN QUADRANGLE	)
	BUCHANAN COUNTY, VIRGINIA	)
	(SEE DESCRIPTION HEREIN AND PLAT	)
	PLAT ATTACHED HERETO AS	)
	EXHIBIT A)	)

NOTICE OF HEARING

HEARING DATE: April 18, 1995
PLACE: Southwest Virginia 4-H Center
Hillman Highway; Abingdon, Virginia 24210
TIME: 9:00 A.M.

COMMONWEALTH OF VIRGINIA: To all persons, known or unknown, owning or claiming an interest in oil and gas, coal or other minerals and to all other persons, known or unknown, who have or claim to have an interest in the coalbed methane gas, unsealed gob gas, short hole gas and gas from any well authorized by the Code of Virginia (1950, as amended) (hereinafter "coalbed methane gas") underlying and within the Y-31 unit, and the lands depicted on Exhibits B and B-1 to the application, which is shown on the attached Exhibit "A" to this Notice, in Buchanan County, Virginia (hereinafter "Subject Lands"), and adjacent lands, and in particular to the following persons, their known and unknown heirs, executors, administrators, devisees, trustees, assigns and successors, both immediate and remote:

> (1) Coal Mountain Mining Company (2) Consolidation Coal Company (3) United Coal Company GARY DAVIS, et al: *(4) Gary Davis (5) Wayne Davis (6) Buford Davis (7) Ruth Boyd* (8) Terry Baldwin (9) Pocahontas Gas Partnership (10) Buchanan County Administrator, c/o Mr. Guy Boyd.

NOTICE IS HEREBY GIVEN that the Applicant is requesting that the Virginia Gas and Oil Board (hereinafter the "Board") issue an order pooling all the rights, interests, and estates of every individual or entity having an interest in the coalbed methane gas underlying the tracts in the Y-31 unit, whether known or unknown, and their known and unknown heirs, executors, administrators, devisees, trustees, assigns and successors, both immediate and remote, pursuant to Va. Code Ann. §§ 45.1-361.1, *et seq.* (Michie 1994) in regard to the drilling, development and production of coalbed methane gas from the Y-31 unit, containing approximately 80 acres, from the pool defined as those coal seams below the Tiller Seam, including 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 coal seams, coalbeds or pools, and rock strata associated therewith (hereinafter the "Pool"). Applicant respectfully requests the Board to issue an order providing as follows:

(A) Pooling all the interests and estates of every individual or entity having an interest in the coalbed methane gas underlying the tracts in the Y-31 unit (hereinafter the "Unit"), whether known or unknown, the persons and entities named in Exhibit C and their known and unknown heirs, executors, administrators, devisees, trustees, assigns and successors, both immediate and remote, for the drilling, development and production of coalbed methane gas from the Unit for the Pool underlying and comprised of the lands depicted on Exhibits B and B-1 and the wells identified on Exhibits G and H (hereinafter the "Wells");

(B) Designating Applicant, Pocahontas Gas Partnership, as the Unit operator; providing that the operator shall have the right to drill, explore, develop, produce, market and sell coalbed methane gas produced from the Unit; granting the operator the right to market and sell coalbed methane gas produced from the Unit which is attributable to the conflicting claims and interests pooled herein; providing that the operator shall have an operator's lien on the coalbed methane gas estate and rights owned or claimed by the persons and entities named herein in the Unit; granting the operator the right to drill at any permitted location on the Unit; and granting the operator the right to operate the Wells;

(C) Establishing the formula for division of interest for production, revenue and costs for the Unit when affected by a longwall panel and for each separately owned tract in the Unit 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 longwall panel, bears to the total mineral acreage, when platted on the surface, contained within the entire longwall 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 longwall panel bears to the total mineral acreage, when platted on the surface, contained within the entire longwall panel affecting such 80-acre drilling unit.

3. For Gas from Any Well Located in a Longwall Panel. i. After actual commencement of coal operations by the driving of entries and completion of isolation of a longwall 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 longwall panel, bears to the total mineral acreage, when platted on the surface, contained within the entire longwall 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 longwall panel, gas from any well located in a proposed longwall panel shall be produced from and allocated to only the 80-acre drilling unit in which the well is located.

(D) Establishing a procedure whereby each person or entity named in Exhibit D shall have the right to elect: (1) to assign or lease his/its coalbed methane gas interest in the Unit to the operator; (2) to enter into a voluntary agreement with the operator to share in the operation (including sharing in all reasonable costs of the drilling of the Wells and development of the Unit) at a rate of payment mutually agreed to by the person or entity making the election hereunder and the operator herein; or, (3) to share in the operation of the Wells as a nonparticipating operator on a carried basis after the proceeds allocable to such person or entity's share equal the following:

In the case of a leased tract, 300 percent of the share of such costs allocable to such person or entity's interest; or,

In the case of an unleased tract, 200 percent of the share of such costs allocable to such person or entity's interest,

all as determined by the Board;

(E) Providing that any person or entity named in Exhibit D who does not make a timely written election under the terms of the Order to be entered herein shall be deemed to have leased or assigned his/its coalbed methane gas interests in the Unit to the operator designated herein at a rate to be established by the Board;

(F) Providing that all reasonable costs and expenses of drilling, completing, equipping, operating, plugging and abandoning the Wells shall be borne, and all production therefrom shared, by all participating parties in the proportion which the acreage in the unitized tracts owned or under lease to each such participating party bears to the total acreage in the Unit, or, in the case of conflicting claims to the coalbed methane gas ownership, providing that all production therefrom be received, subject to the requirement to escrow any proceeds if necessary, by the Applicant, who shall be authorized to drill, complete, and operate the Wells on behalf of all claimants;

(G) Providing that Applicant shall be entitled to recover the costs of the Wells. Further providing that Applicant shall not be entitled to recover the costs of any additional wells drilled or proposed to be drilled after the date of the order for this Unit, Docket No. VGOB-95/04/18-0505;

(H) Providing that operations under and in accordance with this order shall be regarded and considered as development, operation and production upon all lands included within the Unit. Production from any well(s) drilled on, operated, or produced from any part of the Unit, no matter where located, shall for all purposes be regarded as production from each separately owned tract within the Unit. The portion of production produced from and attributed to the Unit and any separately owned tract therein, shall be deemed for all purposes to have been actually produced from the Unit and tract, and development, exploration or production operations with respect to the Unit shall be deemed for all purposes to be the conduct of such operations for the production of coalbed methane gas from each separately owned tract in the Unit;

(I) Making provision for the payment of all reasonable costs of the operation, including a reasonable supervision fee, to the Applicant by all parties who elect to participate therein or who elect to be carried interest owners;

(J) Making any necessary provisions for the escrowing of proceeds in cases of conflicting claims to ownership of the coalbed methane gas pursuant to Va. Code Ann. § 45.1-361.22 (Michie 1994);

(K) Providing that the order to be entered herein shall expire one (1) year from the date of its issuance if operations for the development of the Unit have not commenced by said date; but further providing that if operations have commenced during said one year period, then said order shall remain in effect for so long as operations continue on the Unit. In the event an appeal is taken from the order issued, however, the time between the mailing of the notice of appeal and the final order of the Circuit Court shall be excluded in calculating the one year period referred to herein;

(L) Providing that all nonleasing coalbed methane gas owners be provided with reasonable access to unit records submitted to the Director of Mines, Minerals and Energy or to the Virginia Gas and Oil Inspector (hereinafter the "Inspector");

(M) Providing that the Inspector may, in his discretion, issue permit(s) for the Wells contemplated by this application which allows the Wells to be drilled in a specified direction other than the true vertical if the bottom of the Wells permitted or to be permitted are within the boundaries of a longwall panel(s) from which production and costs are being allocated to the unit pooled hereby; and,

(N) Granting such other relief as is merited by the evidence and is just and equitable, whether or not such relief has been specifically requested herein.

NOTICE IS FURTHER GIVEN THAT this cause has been set for hearing and the taking of evidence before the Board at 9:00 a.m. on April 18, 1995, at the Southwest Virginia 4-H Center; Hillman Highway, in Abingdon, Virginia, and notice was published as required by law and the rules of the Board.

NOTICE IS FURTHER GIVEN THAT you may attend the hearing, with or without an attorney, and offer evidence or state any comments that you have. For further information, contact the Virginia Gas and Oil Board, State Gas and Oil Inspector, Department of Mines, Minerals and Energy, Division of Gas and Oil, P.O. Box 1416, Abingdon, Virginia 24210, (703) 676-5423 or the Applicant at the address shown below.

DATED this 16th day of March, 1995.

POCAHONTAS GAS PARTNERSHIP

By: Leslie K. Arrington

Leslie K. Arrington, Permit Specialist
Pocahontas Gas Partnership
P.O. Box 200
Mavisdale, VA 24627

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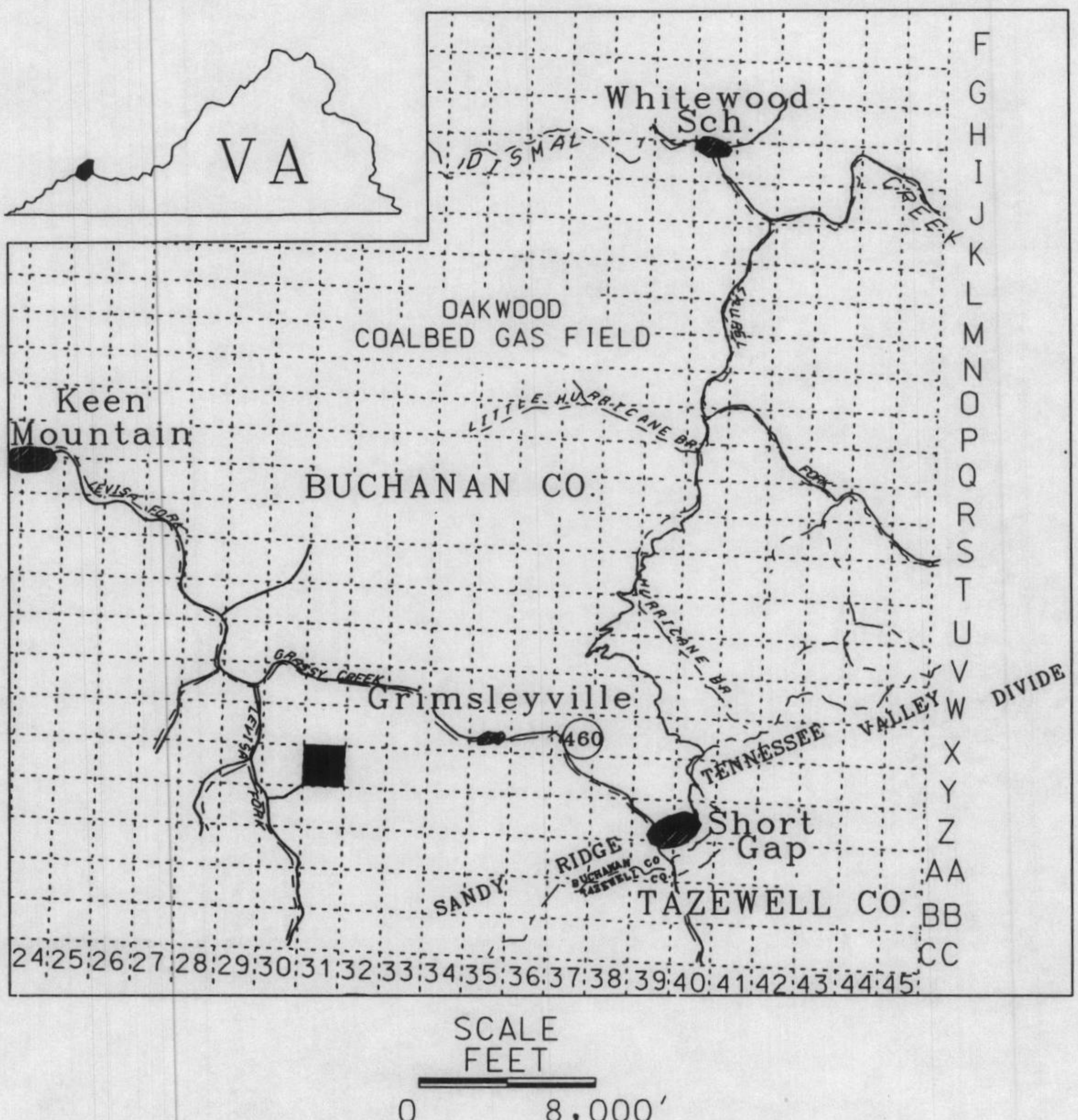

EXHIBIT A

VGOB-95/04/18-0505