

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: SOUTHERN GAS SERVICES, INC.

RELIEF SOUGHT: UNITIZATION OF THE EARLY
GROVE GAS AND OIL FIELD FOR
GAS STORAGE PURPOSES

LEGAL DESCRIPTION:

EARLY GROVE GAS AND OIL FIELD
SCOTT AND WASHINGTON COUNTIES,
VIRGINIA)

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) VIRGINIA GAS AND
) OIL BOARD
)
) DOCKET NO.
) 96-0220-0537
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REPORT OF THE BOARD

FINDINGS AND ORDER

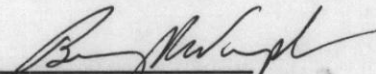
1. Hearing Date and Place: This matter came on for hearing before the Virginia Gas and Oil Board (hereafter "Board") at 9:00 a.m. on February 20, 1996, Ratliff Hall, Southwest Virginia Education 4-H Center, Abingdon, Virginia.

2. Appearances: James E. Kaiser of the firm Hunter, Smith & Davis appeared for the Applicant; Elizabeth McClanahan of the firm, Penn, Stuart, Eskridge & Jones, appeared for Virginia Gas Company, and Sandra B. Riggs, Assistant Attorney General, was present to advise the Board.

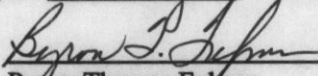
3. Relief Requested: Southern Gas Services, Inc.'s application in this matter sought to have the Board: (i) determining that the Price and Little Valley common sources of supply underlying the lands within the Early Grove Gas and Oil Field established by Provisional Drilling Unit Order for Shallow Gas Wells in the Early Grove Gas Field of Scott and Washington Counties, dated September 1, 1983, and the Early Grove Order entered March 20, 1989, effective nunc pro tunc to August 10, 1988, are suitable for the underground storage of natural gas and that its use for such purpose is in the public interest; (ii) determining the amount of recoverable natural gas remaining in such common source supply in such lands; (iii) suspending the effectiveness of the drilling and spacing units in the Early Grove Gas and Oil Field as described in paragraph 2.5 of the Application to the extent such units include lands located within the boundaries of the proposed underground storage facility (herein "Early Grove Gas Storage Field") and to the extent necessary to effectuate the provisions and rules of the Board applicable to such proposed underground storage facility; (iv) establish the field boundaries of the Early Grove Gas Storage Field; (v) unitize the Early Grove Gas Storage Field based upon the percentage of working interest owned within the field at the time of application and provide unleased owners of storage rights within the Field whatever options the Board deems necessary to protect correlative rights; and (vi) designate an operator of the Early Grove Gas Storage Field. At the hearing, counsel for Applicant moved for a continuance of the hearing of the Application on the grounds that the Applicant and its witnesses could not be present; or in the alternative, Applicant moved to withdraw the Application without prejudice.

4. Relief Granted: The Motion to Continue was denied since it was the Applicant who had noticed the hearing; however, the Board granted Applicant's Motion to Withdraw the Application with leave to refile at a later date when Applicant is ready to proceed.

DONE AND EXECUTED this 29th day of February, 1996 by the Chairman in behalf of the Virginia Gas and Oil Board.

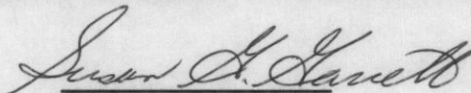

Chairman, Benny R. Wampler

DONE AND PERFORMED this 29th day of February, 1996 by Order of the Board.


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

COMMONWEALTH OF VIRGINIA)
COUNTY OF WISE)

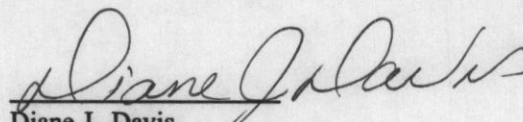
Acknowledged on this 29th day of February, 1996, personally before me a notary public in and for the Commonwealth of Virginia, appeared Benny Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.


Susan G. Garrett
Notary Public

My commission expires 7/31/98

COMMONWEALTH OF VIRGINIA)
COUNTY OF WASHINGTON)

Acknowledged on this 29th day of February, 1996, 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