

V I R G I N I A:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANTS: **Mae Smith Rowlett**

**Docket No. VGOB-00-06/20-0813-01**

RELIEF SOUGHT: Issuance of Amended Supplemental Order Amending Prior Orders Affecting Drilling Unit VC-4511 Located in Dickenson County Virginia (herein "Subject Drilling Unit" to Provide: (1) Calculation of Funds Unit Operator Deposited into the Escrow Account For Subject Drilling Unit by Tract Sub-accounts; (2) to Applicants a Royalty Accounting; and (3) Disbursement Mae Smith Rowlett for VGOB Tract 3.

**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 (herein "Board") at 9:00 a.m. on March 18, 2008
2. **Appearances:** Jim Kaiser, Esq. Appeared for the Unit Operator; and Sharon M. B. Pigeon, Assistant Attorney General, was present to advise the Board.
3. **Jurisdiction and Notice:** Pursuant to Va. Code SS 45.1-361.1 et seq., and in particular Va. Code SS 45.1-361.21 and 45.1-361.22, the board finds that it has jurisdiction over the establishment and maintenance of escrow account, with tract sub-accounts, for each of the coalbed methane gas drilling units established by the Board through its field rules that are subject to a Board pooling order. Further, the Unit Operator is required to deposit, as applicable, those funds specified in Va. Code S 45.1-361.21.D., 45.1361.22.A.2, 45.1-361.22.A.3 and 45.1-361.22.A.4 into the applicable escrow tract sub-accounts. The Board finds that: (1) while it does not have jurisdiction to resolve conflicting claims to the ownership of the Coalbed methane Gas produced by the Unit Operator from wells located on Subject Drilling Unit, and (2) while it does not have jurisdiction to interpret agreements by and between the Gas owners/claimants and/or the unit operators or to abridge or contravene the provisions of such agreements, (3) pursuant to Va. Code S 45.1-361.22.A.5, the Board does have jurisdiction and authority to disburse funds from the Escrow Account provided the Board has been provided with a final decision of a court of competent jurisdiction adjudicating the ownership of coalbed methane gas as between the conflicting claimants or an agreement among all claimants owning conflicting estates in the tract in question or any undivided interest therein.
4. **Prior Proceedings:**
  - 4.1 On July 24, 2000 the Board executed its order pooling interests in the Subject Drilling Unit for the production of occluded natural gas produced from coalbeds and rock strata associated therewith (herein "Gas") in accordance with the provisions of Va. Code SS 45.1-361.21 and 45.1-361.22 (herein "Pooling Order"). The Pooling Order was filed with the Clerk of the Circuit Court of Dickenson County on July 24, 2000 in Deed Book 356 at Page 572. The Board

executed its Supplemental Order Regarding Elections which was filed with the Clerk on January 3, 2001 in Deed Book 361 at Page 030 (hereafter all orders are collectively referred to as the "Pooling Orders).

- 4.2 To the extent claims to the Gas were in conflict, pursuant to Va. Code S 45.1-361-22 payments attributable to said conflicting claims were ordered deposited by the Unit Operator into the escrow account established by the Pooling Orders (herein "Escrow Account"). According to the Pooling Orders and testimony the Range Resources - Pine Mountain Oil and Gas, Inc. waives its claim to the escrowed royalty proceeds related to the Mae Smith Rowlett's portion of Tract 3 in the Subject Drilling Unit which was in conflict and became subject to the escrow requirements of the Pooling Order.
- 4.3 The Unit Operator's Miscellaneous Petition regarding Tract 3, a copy of which is attached to and made a part hereof, states under oath states that Range Resources (Pine Mountain Oil and Gas, Inc.) waives its claim to the escrowed royalty proceeds as stated in paragraph 4.2 and escrow regarding the conflicting claims detailed herein is no longer required.
- 4.4 The Unit Operator gave notice to Range Resources (Pine Mountain Oil and Gas, Inc.) and Mae Smith Rowlett that the Board would consider its disbursement authorization at its hearing on March 18, 2008 and consider whether to: (1) amend the Pooling Order to provide for the disbursement of funds on deposit in the Escrow Account attributable to Tract 3 as identified in the attached miscellaneous petition (2) delete the requirement that the Unit Operator place future royalties attributable to Tract 3 and the interests of Applicants identified in the miscellaneous petition in the Escrow Account, and (3) continue the escrow account under this docket number because parties other than those seeking disbursement under this order are subject to escrow.
- 4.5 The Unit operator filed the attached accounting for Subject Drilling Unit's Escrow Account with the Board ("Accounting").

5. FINDINGS:

- 5.1 Va. Code 45.1-361-22.5 provides: *The Board shall order payment of principal and accrued interests, less escrow account fees, from the escrow account to conflicting claimants within thirty days of receipt of notification of (i) a final decision of a court of competent jurisdiction adjudicating the ownership of coalbed methane gas as between them or (ii) an agreement among all claimants owning conflicting estates in the tract in question or an undivided interest therein. The amount to be paid to the conflicting claimants shall be determined based on the percentage of ownership interest of the conflicting claimants as shown in the operator's supplemental filing made part of the pooling order that established the escrow account, the operator's records of deposits attributable to those tracts for which funds are being requested, and the records of the escrow account for the coalbed methane gas drilling unit. The interests of any cotenants who have not entered into an agreement shall remain in the escrow account.*

## 5.2 Applicant has certified and represented to the Board that:

- (1) Range Resources (Pine Mountain Oil and Gas, Inc.) is owner of the coal owner claim to coalbed methane underlying VGOB Tract 1 of the subject drilling unit.
- (2) Mae Smith Rowlett is owner of oil and gas interests in VGOB Tract 3 of the subject drilling unit.
- (3) Range Resources (Pine Mountain Oil and Gas, Inc.) waives its claim to the escrowed royalty proceeds related to the Mae Smith Rowlett portion of Tract 3 in the subject drilling unit and asks that the board disburse the royalty proceeds from this unit and pay all future royalties direct.
- (4) Net interests attributable and to be disbursed to Applicants are shown in Table 1, below:

Table 1

Tract 3 Disbursement				
Owner	Tract	Acres	Testimony	
			% of Escrowed	
Mae Smith Rowlett 3152 Steele Creek Drive Bristol TN 37620	3	10.42	34.5573617%	

## 6. Relief Granted:

For the reasons set forth in Paragraph 4 and 5 above, and based upon the Accounting, the Escrow Agent is ordered to, within 10 days of receipt of this executed order disburse funds as identified in Table 1 above. Exhibits to the pooling Orders, showing owners subject to escrow, are deleted in toto and replaced with the Exhibit E attached to this order. Further, the Supplemental order filed in this cause is hereby modified to delete the requirement that payments attributable to the conflicting coalbed methane gas ownership interests of the parties identified in the Miscellaneous Petition identified in Paragraph 4.3 above be deposited by the Unit Operator into the Escrow Account, and, because there are other owners subject to escrow under the Supplemental Order, the Escrow Agent is directed to continue the Escrow Account for the Subject Drilling Unit. To the extent not specifically granted herein, any other or further relief is denied.

## 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 S 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 August, 2008 by a majority of the Virginia Gas and Oil Board.

Benny R. Wampler  
Benny R. Wampler, Chairman

DONE AND PERFORMED this 27<sup>th</sup> day of August, 2008 by Order of the Board.

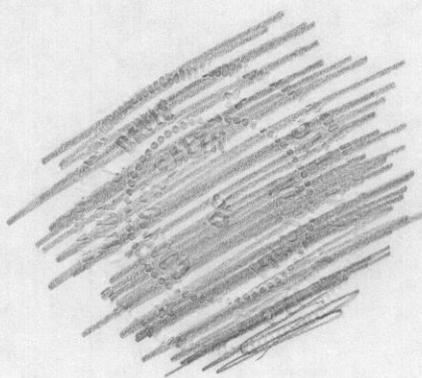
David E. Asbury, Jr.  
David E. Asbury, Jr.  
Principal Executive to the Staff  
Virginia Gas and Oil Board

STATE OF VIRGINIA  
COUNTY OF WASHINGTON

Acknowledged on this 27<sup>th</sup> day of August, 2008 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 and appeared David E. Asbury, Jr., being duly sworn did depose and say that he is Principal Executive to the Staff of the Virginia Gas and Oil Board, that they executed the same and were authorized to do so.

Diane J. Davis  
Diane J. Davis, Notary  
174394

My commission expires 9/30/09



VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD



APPLICANTS: Mae Smith Rowlett

DOCKET NUMBER: VGOB 00/06/20-0813-01

RELIEF SOUGHT: Supplemental Order for Disbursement of Escrowed Funds on behalf of Mae Smith Rowlett

LEGAL DESCRIPTIONS: Drilling Unit Number VC-4511 created by Board Order Dated July 18, 2000, VGOB 00/06/20-0813 in the Kenady District, Dickenson County, Virginia.

HEARING DATE: March 18, 2008

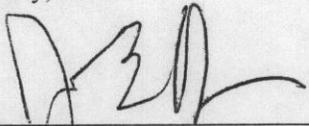
MISCELLANEOUS PETITION

1. Party: Applicants herein are Mae Smith Rowlett, (hereinafter "Plaintiffs), whose address is 3152 Steele Creek Drive, Bristol, TN 37620.
2. Facts:
  - a. Equitable was designated as the Operator and Applicants interests were Pooled in the VC-4511 Unit by Order of the Virginia Gas and Oil Board (hereinafter "Board") executed on July 18, 2000, pursuant to Docket No. VGOB 00/06/20-0813 and recorded in the Circuit Court Clerk's Office of Dickenson County, Virginia on July 24, 2000, Deed Book 356, Page 572 (hereinafter "Order").
  - b. The order and Supplemental Order required the Escrow Agent named and appointed therein to establish an interest-bearing escrow account for funds pertaining to the above-referenced Unit and subject to escrow pursuant to the terms of the Order.
  - c. The Order and Supplemental Order further required the Operator to deposit bonus and royalty payments with the Escrow agent which could not me made because the person(s) entitled hereto could not be made certain due to conflicting claims of ownership.
  - d. Pine Mountain Oil and Gas, Inc. was a conflicting claimant with the above-listed Plaintiffs with regard to Tract 3, as created by Board Order as VGOB 00/06/20-0813 is the applicable Tract.
  - e. To resolve this conflict, a Letter dated May 31, 2006 signed by Jerry H. Grantham, an officer of Pine Mountain Oil and Gas, Inc. is attached hereto and incorporated herein as Exhibit "A".
  - f. The amounts deposited with the Escrow Agent regarding the Unit need to be determined and distributed accordingly.

- g. Any escrow amount, not yet deposited into the escrow account, held by Operator should also be determined, and distributed to Applicants/Plaintiffs herein, accordingly.
- h. Applicants/Plaintiffs herein do hereby request that the Board enter amended supplemental order for the Unit directing the Escrow Agent and the Operator to disburse to the aforesaid Plaintiff the funds attributable to the previous conflicting claim with Pine Mountain, held in escrow for the VGOB number as listed above.
  - 1. The Applicants certify that the matters set forth in the application, to the best of their knowledge, information, and belief, are true and correct and that the form and content of the Application and conform to the requirements of relevant Board regulations and orders.
  - 2. Legal Authority: Va. Code Ann. §45.1-361.1 et seq., 4 VAC 25-160, and such other regulations and Board orders promulgated pursuant to law.
  - 3. Relief Sought: Applicants request that the Board issue amended supplement order amending all prior orders affecting the Unit which amended supplement order will provide as follows:
    - a. Determining the amount of funds attributable to the Applicants/Plaintiffs herein.
    - b. Directing the Escrow Agent to determine the amount of funds attributable to Applicants/Plaintiffs herein, provide an accounting hereof, and disburse the funds on deposit with the Escrow Agent, including any applicable interest, pertaining to the interest in the Unit shown above for distribution.
    - c. Directing the Operator to determine the amount of funds attributable to the Applicants/Plaintiffs herein, provide an accounting thereof, and disburse the units in its hands, if any, subject to escrow but not then on deposit with the Escrow Agent, including any applicable interest, at the time of the Supplemental Order requested therein is executed, attributable to the Applicants/Plaintiffs herein for distribution.
    - d. Directing the Operator to disburse the funds, including any applicable interest, and provide an accounting thereof, which it may receive after the date of the execution of the amended supplemental order requested in the Application, if any, attributable to the Applicants/Plaintiff herein, and to discontinue the payment of such funds into Escrow.

- e. 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.

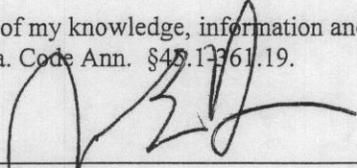
Dated this 15th day of February, 2008.

By:   
\_\_\_\_\_  
Petitioner

Address: Wilhoit & Kaiser  
220 Broad Street  
Kingsport, TN 37660

**CERTIFICATE**

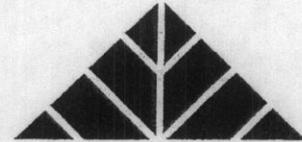
The foregoing application to the best of my knowledge, information and belief is true and correct. Notice was given pursuant to Va. Code Ann. §48.1-361.19.

  
\_\_\_\_\_  
Petitioner

BK 457PG 255

PINE MOUNTAIN  
Oil and Gas, Inc.

P.O. Box 2136  
406 W. Main Street  
Abingdon, Virginia 24212  
Phone: (276) 628-9001  
Fax: (276) 628-7246



July 31, 2006

Ms. Melanie Freeman  
Equitable Production Company  
1710 Pennsylvania Avenue  
Charleston, WV 25302

Re: Escrowed Royalties – Wells VC-3042, VC-4511 and VC-6108  
Mae Smith Rowlett, 92.57 acres

Dear Ms. Freeman:

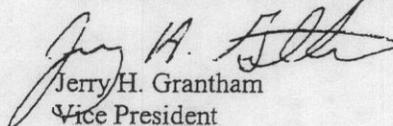
It is our understanding that you are holding the royalty proceeds on the Mae Smith Rowlett 92.57 acre portion of the above mentioned well units in escrow due to the conflict in ownership issues regarding coalbed methane. We have received the enclosed letters from Mrs. Mae Smith Rowlett requesting a royalty determination regarding the same. Mrs. Rowlett indicated to us that she is the oil and gas owner in the subject well units; however, we do not have any information as to the current ownership of this tract. Pine Mountain waives its claim to the escrowed royalty proceeds related to the Mae Smith Rowlett's portion of these well units, and ask that the appropriate oil and gas owner receive her proportionate disbursement of the royalty proceeds from these portions of these well units.

Although VC-2206 and VC-3047 wells are listed in Mrs. Smith's letter, our records indicate that she owns no interest in the above units.

By copy of this letter, we are notifying Mrs. Rowlett of our action on this matter. If you have any questions or comments, please do not hesitate to contact me by phone at (276) 619-2582 or by e-mail at [dlouthian@gl-energy.com](mailto:dlouthian@gl-energy.com).

Sincerely,

PINE MOUNTAIN OIL & GAS, INC.

  
Jerry H. Grantham  
Vice President

JHG/dh  
Enclosures  
cc: Ms. Mae Smith Rowlett

BK 457PG 256

VC-4511  
VGOB 00/06/20-0813

<u>Tract</u>	<u>Owner Name and Address</u>	<u>Split %</u>	<u>Owner Net Interest</u>	<u>Total Net Escrowed Interest</u>	<u>Total Amount in Escrow 12/31/07</u>	<u>Owner % of Escrow</u>	<u>Owner's Amount in Escrow 5/31/07</u>
3	Mae Smith Rowlett 3152 Steele Creek Drive Bristol, TN 37620-7203	100%	0.02216250	0.06413250	Bank Total - \$52,232.94 Equitable Total - \$52,232.94	34.55736171%	\$18,050.33

**EXHIBIT "E"**  
**VC-4511**  
**REVISED 01/29/08**

<u>TRACT</u>	<u>LESSOR</u>	<u>LEASE STATUS</u>	<u>INTEREST WITHIN UNIT</u>	<u>GROSS ACREAGE IN UNIT</u>
<u>Gas Estate Only</u>				
7	Laura Jean Cole & Leroy Cole, W/H 721 Emerald Bay Dr. Suisun City, CA 94585 TAX ID 2262	Unleased	0.090000%	0.0500
<b>Total Gas Estate</b>			<b>0.090000%</b>	<b>0.0500</b>
<u>Coal Estate Only</u>				
7	Pine Mountain Oil & Gas, Inc. ATTN: Jerry Grantham P.O. Box 2136 Abingdon, VA 24212 TAX ID 1849	Leased 244792/TC-177	0.090000%	0.0500
<b>Total Coal Estate</b>			<b>0.090000%</b>	<b>0.0500</b>

INSTRUMENT #080001741  
 RECORDED IN THE CLERK'S OFFICE OF  
 DICKENSON ON  
 SEPTEMBER 3, 2008 AT 12:31PM

RICHARD W. EDWARDS, CLERK  
 RECORDED BY: TLC

VIRGINIA: IN THE OFFICE OF THE CLERK OF THE CIRCUIT COURT OF DICKENSON COUNTY, 09/03/2008 This deed was this day presented in said office, and upon the certificate of acknowledgment thereto annexed, admitted to record at 12:31 o'clock PM, after payment of \$ 0 tax imposed by Sec. 58.1-802.

Original returned this date to: Dmme

TESTE: RICHARD EDWARDS, CLERK  
 BY: [Signature] D. CLERK