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VIRGINIA:

INSTRUMENT PREPARED BY
VIRGINIA GAS AND OIL BOARD

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: POCAHONTAS GAS PARTNERSHIP) VIRGINIA GAS
RELIEF SOUGHT: POOLING OF INTERESTS IN) AND OIL BOARD
DRILLING UNIT NO. BB-37 LOCATED) DOCKET NO.
IN THE OAKWOOD COALBED METHANE GAS) 01-0717-0901
FIELD I PURSUANT TO VA. CODE)
§§ 45.1-361.21 AND 45.1-361.22, FOR)
THE PRODUCTION OF OCCLUDED NATURAL)
GAS PRODUCED FROM COALBEDS AND ROCK)
STRATA ASSOCIATED THEREWITH (herein)
Collectively referred to as)
"Coalbed Methane Gas" or "Gas"))
LEGAL DESCRIPTION:)
DRILLING UNIT NUMBER BB-37)
(herein "Subject Drilling Unit"))
IN THE OAKWOOD COALBED METHANE GAS FIELD I)
MAIDEN SPRINGS/GARDEN MAGISTERIAL DISTRICT,)
KEEN MOUNTAIN QUADRANGLE)
BUCHANAN/TAZEWELL COUNTIES, VIRGINIA)
(the "Subject Lands" are more)
particularly described on Exhibit)
"A", attached hereto and made a)
part hereof))

REPORT OF THE BOARD

FINDINGS AND ORDER

1. Hearing Date and Place: This matter came on for final hearing before the Virginia Gas and Oil Board (hereafter "Board") at 9:00 a.m. on July 17, 2001 at the Southwest Virginia Higher Education Center on the campus of Virginia Highlands Community College, Abingdon, Virginia.

2. Appearances: Mark Swartz, Esquire, of the firm Swartz & Stump, L.C., appeared for the Applicant; Barney Shortt, a respondent herein, as well as Linda Shortt, Walter Short and Robert Shortt appeared pro se; and Sandra Riggs, Assistant Attorney General, was present to advise the Board.

3. Jurisdiction and Notice: Pursuant to Va. Code §§ 45.1-361.1 et seq., 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 search of the reasonably available sources to determine the identity and whereabouts of gas and oil owners, coal owners, mineral owners and/or potential owners, i.e., persons identified by Applicant as having ("Owner") or claiming ("Claimant") the rights to Coalbed Methane Gas in all 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 and rock strata associated therewith (hereafter "Subject Formation") in Subject Drilling Unit underlying and comprised of Subject Lands; (2) represented it has given notice to those parties (hereafter sometimes "person(s)" whether referring to individuals, corporations,

partnerships, associations, companies, businesses, trusts, joint ventures or other legal entities) entitled by Va. Code §§ 45.1-361.19 and 45.1-361.22, to notice of the Application filed herein; and (3) that the persons set forth in Exhibit B-3 hereto are persons identified by Applicant through its due diligence who may be Owners or Claimants of Coalbed Methane Gas interests in Subject Formation, in Subject Drilling Unit underlying and comprised of Subject Lands, who have not heretofore agreed to lease or sell to the Applicant and/or voluntarily pool their Gas interests. Conflicting Gas Owners/Claimants in Subject Drilling Unit are listed on Exhibit E. Further, the Board has caused notice of this hearing to be published as required by Va. Code § 45.1-361.19.B. 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 requests (1) that pursuant to Va. Code § 45.1-361.22, including the applicable portions of Va. Code § 45.1-361.21, the Board pool all the rights, interests and estates in and to the Gas in Subject Drilling Unit, including the pooling of the interests of the Applicant and of the known and unknown persons named in Exhibit B-3 hereto and that of their known and unknown heirs, executors, administrators, devisees, trustees, assigns and successors, both immediate and remote, for the drilling and operation, including production, of Coalbed Methane Gas, produced from or allocated to the Subject Drilling Unit established for the Subject Formation underlying and comprised of the Subject Lands, (hereafter sometimes collectively identified and referred to as "Well Development and/or Operation in the Subject Drilling Unit"), and (2) that the Board designate Pocahontas Gas Partnership as Unit Operator. Barney Short, a respondent herein, as well as Linda Short, Walter Short and Robert Short, appearing pro se, requested that the application be denied due to a boundary line dispute and right of entry issues.

7. Relief Granted: The Applicant's requested relief in this cause be and hereby is granted: (1) Pursuant to Va. Code § 45.1-361.21.C.3, Pocahontas Gas Partnership (hereafter "Unit Operator") is designated as the Unit Operator authorized to drill and operate the Coalbed Methane Gas well in the Subject Drilling Unit at the location depicted on the plat attached hereto as Exhibit A, subject to the permit provisions contained in Va. Code §§ 45.1-361.27 et seq.; to the Oakwood Coalbed Methane Gas Field I Order OGCB 3-90, dated May 18, 1990, as amended; to §§ 4 VAC 25-150 et seq., Gas and Oil Regulations; and to §§ 4 VAC 25-160 et seq., Virginia Gas and Oil Board Regulations, all as amended from time to time, and (2) all the interests and estates in and to the Gas in Subject Drilling Unit, including that of the Applicant and of the known and unknown persons listed on Exhibit B-3, attached hereto and made a part hereof, and their known and unknown heirs, executors, administrators, devisees, trustees, assigns and successors, both immediate and remote, be and hereby are pooled in the Subject Formation in the Subject Drilling Unit underlying and comprised of the Subject Lands.

<u>Formation</u>	<u>Unit Size</u>	<u>Well Location(s)</u>	<u>Well Classification</u>	<u>Number</u>
All coal-beds and coal seams	Approximately 80-acre square	Well CBM-PGP-BB37 is to be located in	Oakwood Coalbed Gas Field I for Coalbed Methane	OGCB 3-90 as amend-

<u>Subject Formation</u>	<u>Unit Size</u>	<u>Permitted Well Location(s)</u>	<u>Field and Well Classification</u>	<u>Order Number</u>
All coal-beds and coal seams below the Tiller Seam, including, but not limited to Upper Seaboard, Greasy Creek, Middle Seaboard, Lower Seaboard, Upper Horsepen, Middle Horsepen, War Creek, Lower Horsepen, Pocahontas Nos. 9, 8, 7, 6, 5, 4, 3, 2 and various unnamed seams and associated rock strata	Approximately 80-acre square drilling unit	Well CBM-PGP-BB37 is to be located in Subject Drilling Unit at the location depicted on the Plat attached hereto as Exhibit A - Well CBM-PGP-BB37 was drilled on August 30, 2001 pursuant to Permit #4997 to an approximate depth of 2,244.80 feet.	Oakwood Coalbed Gas Field I for Coalbed Methane Gas Produced in advance of mining including Gas from any Additional Well Authorized Pursuant to Va. Code § 45.1-361.20	OGCB 3-90 as amended, (herein "Oakwood I Field Rules")

For the Subject Drilling Unit
underlying and comprised of the Subject
Land referred to as:

Unit Number BB-37
Buchanan/Tazewell Counties, Virginia

Pursuant to the Oakwood I Field Rules, the Board has adopted the following method for the calculation of production and revenue and allocation of allowable costs for the production of Coalbed Methane Gas.

For Frac Well Gas. - Gas shall be produced from and allocated to only the 80-acre drilling unit in which the well(s) is located according to the undivided interests of each Owner/Claimant within the unit, which undivided interest shall be the ratio (expressed as a percentage) that the amount of mineral acreage within each separate tract that is within the Subject Drilling Unit, when platted on the surface, bears to the total mineral acreage, when platted on the surface, contained within the entire 80-acre drilling unit in the manner set forth in the Oakwood I Field Rules.

8. Election and Election Period: In the event any Owner or Claimant named in Exhibit B-3 hereto does not reach a voluntary agreement to share in the operation of the well located in the Subject Drilling Unit, at a rate of payment mutually agreed to by said Gas Owner or Claimant and the Unit Operator, then such person named may elect one of the options set forth in Paragraph 9 below and must give written notice of his election of the option selected under Paragraph 9 to the designated Unit Operator at the address shown below within thirty (30) days from the date this Order is recorded in the county above named. A timely election shall be deemed to have been made

if, on or before the last day of said 30-day period, such electing person has delivered his written election to the designated Unit Operator at the address shown below or has duly postmarked and placed its written election in first class United States mail, postage prepaid, addressed to the Unit Operator at the address shown below.

9. Election Options:

9.1 Option 1 - To Participate In The Well Development and Operation of the Drilling Unit: Any Gas Owner or Claimant named in Exhibit B-3 who does not reach a voluntary agreement with the Unit Operator may elect to participate in the Well Development and Operation in the Subject Drilling Unit (hereafter "Participating Operator") by agreeing to pay the estimate of such Participating Operator's proportionate part of the actual and reasonable costs of the Well Development contemplated by this Order for Gas produced pursuant to the Oakwood I Field Rules, including a reasonable supervision fee, as more particularly set forth in Virginia Gas and Oil Board Regulation 4 VAC 25-160-100 (herein "Completed-for-Production Costs"). Further, a Participating Operator agrees to pay the estimate of such Participating Operator's proportionate part of the Completed-for-Production Cost as set forth below to the Unit Operator within forty-five (45) days from the later of the date of mailing or the date of recording of this Order. The Completed-for-Production Cost for the Subject Drilling Unit is as follows:

Completed-for-Production Cost: \$202,639.28

A Participating Operator's proportionate cost hereunder shall be the result obtained by multiplying the Participating Operators' "Interest in Unit" times the Completed-for-Production Cost set forth above. Provided, however, that in the event a Participating Operator elects to participate and fails or refuses to pay the estimate of his proportionate part of the Completed-for-Production Cost as set forth above, all within the time set forth herein and in the manner prescribed in Paragraph 8 of this Order, then such Participating Operator shall be deemed to have elected not to participate and to have elected compensation in lieu of participation pursuant to Paragraph 9.2 herein.

9.2 Option 2 - To Receive A Cash Bonus Consideration: In lieu of participating in the Well Development and Operation in Subject Drilling Unit under Paragraph 9.1 above, any Gas Owner or Claimant named in Exhibit B-3 hereto who does not reach a voluntary agreement with the Unit Operator may elect to accept a cash bonus consideration of \$1.00 per net mineral acre owned by such person, commencing upon entry of this Order and continuing annually until commencement of production from Subject Drilling Unit, and thereafter a royalty of 1/8th of 8/8ths [twelve and one-half percent (12.5%)] of the net proceeds received by the Unit Operator for the sale of the Coalbed Methane Gas produced from any Well Development and Operation covered by this Order multiplied by that person's Interest in Unit or proportional share of said production [for purposes of this Order, net proceeds shall be actual proceeds received less post-production costs incurred downstream of the wellhead, including, but not limited to, gathering, compression, treating, transportation and marketing costs, whether performed by Unit Operator or a third person] as fair, reasonable and equitable compensation to be paid to said Gas Owner or Claimant. The

if, on or before the last day of said 30-day period, such electing person has delivered his written election to the designated Unit Operator at the address shown below or has duly postmarked and placed its written election in first class United States mail, postage prepaid, addressed to the Unit Operator at the address shown below.

9. Election Options:

- 9.1 Option 1 - To Participate In The Well Development and Operation of the Drilling Unit: Any Gas Owner or Claimant named in Exhibit B-3 who does not reach a voluntary agreement with the Unit Operator may elect to participate in the Well Development and Operation in the Subject Drilling Unit (hereafter "Participating Operator") by agreeing to pay the estimate of such Participating Operator's proportionate part of the actual and reasonable costs of the Well Development contemplated by this Order for Gas produced pursuant to the Oakwood I Field Rules, including a reasonable supervision fee, as more particularly set forth in Virginia Gas and Oil Board Regulation 4 VAC 25-160-100 (herein "Completed-for-Production Costs"). Further, a Participating Operator agrees to pay the estimate of such Participating Operator's proportionate part of the Completed-for-Production Cost as set forth below to the Unit Operator within forty-five (45) days from the later of the date of mailing or the date of recording of this Order. The Completed-for-Production Cost for the Subject Drilling Unit is as follows:

Completed-for-Production Cost: \$202,639.28

A Participating Operator's proportionate cost hereunder shall be the result obtained by multiplying the Participating Operators' "Interest in Unit" times the Completed-for-Production Cost set forth above. Provided, however, that in the event a Participating Operator elects to participate and fails or refuses to pay the estimate of his proportionate part of the Completed-for-Production Cost as set forth above, all within the time set forth herein and in the manner prescribed in Paragraph 8 of this Order, then such Participating Operator shall be deemed to have elected not to participate and to have elected compensation in lieu of participation pursuant to Paragraph 9.2 herein.

- 9.2 Option 2 - To Receive A Cash Bonus Consideration: In lieu of participating in the Well Development and Operation in Subject Drilling Unit under Paragraph 9.1 above, any Gas Owner or Claimant named in Exhibit B-3 hereto who does not reach a voluntary agreement with the Unit Operator may elect to accept a cash bonus consideration of \$1.00 per net mineral acre owned by such person, commencing upon entry of this Order and continuing annually until commencement of production from Subject Drilling Unit, and thereafter a royalty of 1/8th of 8/8ths [twelve and one-half percent (12.5%)] of the net proceeds received by the Unit Operator for the sale of the Coalbed Methane Gas produced from any Well Development and Operation covered by this Order multiplied by that person's Interest in Unit or proportional share of said production [for purposes of this Order, net proceeds shall be actual proceeds received less post-production costs incurred downstream of the wellhead, including, but not limited to, gathering, compression, treating, transportation and marketing costs, whether performed by Unit Operator or a third person] as fair, reasonable and equitable compensation to be paid to said Gas Owner or Claimant. The

initial cash bonus shall become due and owing when so elected and shall be tendered, paid or escrowed within one hundred twenty (120) days of recording of this Order. Thereafter, annual cash bonuses, if any, shall become due and owing on each anniversary of the date of recording of this order in the event production from Subject Drilling Unit has not theretofore commenced, and once due, shall be tendered, paid or escrowed within sixty (60) days of said anniversary date. Once the initial cash bonus and the annual cash bonuses, if any, are so paid or escrowed, subject to a final legal determination of ownership, said payment(s) shall be satisfaction in full for the right, interests, and claims of such electing person in and to the Gas produced from Subject Formation in the Subject Lands, except, however, for the 1/8th royalties due hereunder.

Subject to a final legal determination of ownership, the election made under this Paragraph 9.2, when so made, shall be satisfaction in full for the right, interests, and claims of such electing person in any Well Development and Operation covered hereby and such electing person shall be deemed to and hereby does lease and assign, its right, interests, and claims in and to the Gas produced from Subject Formation in the Subject Drilling Unit to the Applicant.

- 9.3. Option 3 - To Share In The Well Development And Operation As A Non-Participating Person On A Carried Basis And To Receive Consideration In Lieu Of Cash: In lieu of participating in the Well Development and Operation in Subject Drilling Unit under Paragraph 9.1 above and in lieu of receiving a Cash Bonus Consideration under Paragraph 9.2 above, any Gas Owner or Claimant named in Exhibit B-3 hereto who does not reach a voluntary agreement with the Unit Operator may elect to share in the Well Development and Operation of Subject Drilling Unit on a carried basis (as a "Carried Well Operator"] so that the proportionate part of the Completed-for-Production Cost hereby allocable to such Carried Well Operator's interest is charged against such Carried Well Operator's share of production from Subject Drilling Unit. Such Carried Well Operator's rights, interests, and claims in and to the Gas in Subject Drilling Unit shall be deemed and hereby are assigned to the Applicant until the proceeds from the sale of such Carried Well Operator's share of production from Subject Drilling Unit (exclusive of any royalty, excess or overriding royalty, or other non-operating or non cost-bearing burden reserved in any lease, assignment thereof or agreement relating thereto covering such interest) equals three hundred percent (300%) for a leased interest or two hundred percent (200%) for an unleased interest (whichever is applicable) of such Carried Well Operator's share of the Completed-for-Production Cost allocable to the interest of such Carried Well Operator. When the Applicant recoups and recovers from such Carried Well Operator's assigned interest the amounts provided for above, then, the assigned interest of such Carried Well Operator shall automatically revert back to such Carried Well Operator, and from and after such reversion, such Carried Well Operator shall be treated as if it had participated initially under Paragraph 9.1 above; and thereafter, such participating person shall be charged with and shall pay his proportionate part of all further costs of such Well Development and Operation.

Subject to a final legal determination of ownership, the election made under this Paragraph 9.3, when so made, shall be satisfaction in full for the rights, interests, and claims of such electing person in any Well Development and Operation covered hereby and such electing person shall be deemed to have and hereby does assign its rights, interests, and claims in and to the Gas produced from Subject Formation in the Subject Drilling Unit to the Applicant for the period of time during which its interest is carried as above provided prior to its reversion back to such electing person.

10. Failure to Properly Elect: In the event a person named in Exhibit B-3 hereto does not reach a voluntary agreement with the Unit Operator and fails to elect within the time, in the manner and in accordance with the terms of this Order, one of the alternatives set forth in Paragraph 9 above for which his interest qualifies, then such person shall be deemed to have elected not to participate in the proposed Well Development and Operation in Subject Drilling Unit and shall be deemed, subject to a final legal determination of ownership, to have elected to accept as satisfaction in full for such person's right, interests, and claims in and to the Gas the consideration provided in Paragraph 9.2 above for which its interest qualifies and shall be deemed to have leased and/or assigned his right, interests, and claims in and to the Gas produced from Subject Formation in the Subject Drilling Unit to the Applicant.

Persons who fail to properly elect shall be deemed, subject to a final legal determination of ownership, to have accepted the compensation and terms set forth herein at Paragraph 9.2 in satisfaction in full for the right, interests, and claims of such person in and to the Gas produced from the Subject Formation underlying Subject Lands.

11. Default By Participating Person: In the event a person named in Exhibit B-3 elects to participate under Paragraph 9.1, but fails or refuses to pay, to secure the payment or to make an arrangement with the Unit Operator for the payment of such person's proportionate part of the Completed-for-Production Cost as set forth herein, all within the time and in the manner as prescribed in this Order, then such person shall be deemed to have withdrawn his election to participate and shall be deemed to have elected to accept as satisfaction in full for such person's right, interest, and claims in and to the Gas the consideration provided in Paragraph 9.2 above for which his interest qualifies depending on the excess burdens attached to such interest. Whereupon, any cash bonus consideration due as a result of such deemed election shall be tendered, paid or escrowed by Unit Operator within one hundred twenty (120) days after the last day on which such defaulting person under this Order should have paid his proportionate part of such cost or should have made satisfactory arrangements for the payment thereof. When such cash bonus consideration is paid or escrowed, it shall be satisfaction in full for the right, interests, and claims of such person in and to the Gas underlying Subject Drilling Unit in the Subject Lands covered hereby, except, however, for any royalties which would become due pursuant to Paragraph 9.2 hereof.

12. Assignment of Interest: In the event a person named in Exhibit B-3 is unable to reach a voluntary agreement to share in the Well Development and Operation contemplated by this Order at a rate of payment agreed to mutually by said Owner or Claimant and the Unit Operator, and such person elects or fails to elect to do other than participate under Paragraph 9.1 above in the Well Development and Operation in Subject Formations in Subject Drilling Unit, then subject to a final legal determination of ownership, such

person shall be deemed to have and shall have assigned unto Applicant such person's right, interests, and claims in and to said well, and other share in production to which such person may be entitled by reason of any election or deemed election hereunder in accordance with the provisions of this Order governing said election.

13. Unit Operator (or Operator): Pocahontas Gas Partnership be and hereby is designated as Unit Operator authorized to drill and operate the Coalbed Methane Well in Subject Formation in Subject Drilling Unit, all subject to the permit provisions contained in Va. Code §§ 45.1-361.27 et seq.; §§ 4 VAC 25-150 et seq., Gas and Oil Regulations; §§ 4 VAC 25-160 et seq., Virginia Gas and Oil Board Regulations; the Oakwood Coalbed Gas Field I Order OGCB 3-90, all as amended from time to time, and all elections required by this Order shall be communicated to Unit Operator in writing at the address shown below:

Pocahontas Gas Partnership
P. O. Box 947
Bluefield, VA 24605
Phone: (540) 988-1016
Fax: (540) 988-1055
Attn: Leslie K. Arrington

14. Commencement of Operations: Unit Operator shall commence or cause to be commenced operations for the drilling of Well CBM-PGP-BB37 within seven hundred and thirty (730) days of the date of this Order, and shall prosecute operations of same with due diligence. If the Unit Operator shall not have so commenced and/or prosecuted, then, except for any cash sums then payable hereunder, and unless sooner terminated by the Board, this Order shall terminate at 12:00 p.m. on the date on which said well is permanently abandoned and plugged. However, in the event an appeal is taken from this Order, then the time between the filing of the petition for appeal and the final order of the Circuit Court shall be excluded in calculating the two-year period referred to herein.

15. Operator's Lien: Unit Operator, in addition to the other rights afforded hereunder, shall have a lien and a right of set off on the Gas estates, rights, and interests owned by any person subject hereto who elects to participate under Paragraph 9.1 in the Subject Drilling Unit to the extent that costs incurred in the drilling or operation on the Subject Drilling Unit are chargeable against such person's interest. Such liens and right of set off shall be separable as to each separate person and shall remain liens until the Unit Operator drilling or operating any well covered hereby has been paid the full amounts due under the terms of this Order.

16. Escrow Provisions:

The Unit Operator represented to the Board that there are no unknown or unlocatable Claimants in Subject Drilling Unit whose payments are subject to the provisions of Paragraph 16.1; but, that there are conflicting Claimants in Tracts 2A, 2B and 2C of Subject Drilling Unit whose payments are subject to the provisions of Paragraph 16.2 hereof. Therefore, by this Order, the Board instructs the Escrow Agent named herein or any successor named by the Board to establish interest-bearing escrow accounts for Subject Drilling Unit with subaccounts for Tracts 2A, 2B and 2C (herein "Escrow account") and to receive and account to the Board pursuant to its agreement for funds hereafter described in Paragraph 16.2.

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First Union National Bank
Corporate Trust PA1328
123 South Broad Street
Philadelphia, PA 19109-1199
Telephone: (888) 396-0853 or (215) 985-3485
Attention: Corporate Trust Don Ballinghoff

- 16.1. Escrow Provisions For Unknown or Unlocatable Persons: If any payment of bonus, royalty payment or other payment due and owing under this Order cannot be made because the person entitled thereto cannot be located or is unknown, then such cash bonus, royalty payment, or other payment shall not be commingled with any funds of the Unit Operator and, pursuant to Va. Code § 45.1-361.21.D, said sums shall be deposited by the Unit Operator into the Escrow Account, commencing within one hundred twenty (120) days of recording of this Order, and continuing thereafter on a monthly basis with each deposit to be made, by use of a report format approved by the Inspector, by a date which is no later than sixty (60) days after the last day of the month being reported and/or for which funds are being deposited. Such funds shall be held for the exclusive use of, and sole benefit of the person entitled thereto until such funds can be paid to such person(s) or until the Escrow Agent relinquishes such funds as required by law or pursuant to Order of the Board in accordance with Va. Code § 45.1-361.21.D.
- 16.2 Escrow Provisions For Conflicting Claimants: If any payment of bonus, royalty payment, proceeds in excess of ongoing operational expenses, or other payment due and owing under this Order cannot be made because the person entitled thereto cannot be made certain due to conflicting claims of ownership and/or a defect or cloud on the title, then such cash bonus, royalty payment, proceeds in excess of ongoing operational expenses, or other payment, together with Participating Operator's Proportionate Costs paid to Unit Operator pursuant to Paragraph 9.1 hereof, if any, (1) shall not be commingled with any funds of the Unit Operator; and (2) shall, pursuant to Va. Code §§ 45.1-361.22.A.2, 45.1-361.22.A.3 and 45.1-361.22.A.4, be deposited by the Operator into the Escrow Account within one hundred twenty (120) days of recording of this Order, and continuing thereafter on a monthly basis with each deposit to be made, by use of a report format approved by the Inspector, by a date which is no later than sixty (60) days after the last day of the month being reported and/or for which funds are subject to deposit. Such funds shall be held for the exclusive use of, and sole benefit of, the person entitled thereto until such funds can be paid to such person(s) or until the Escrow Agent relinquishes such funds as required by law or pursuant to Order of the Board.
17. Special Findings: The Board specifically and specially finds:
- 17.1. Pocahontas Gas Partnership is a Virginia general partnership composed of Consolidation Coal Company and CONOCO Inc. Applicant is duly authorized and qualified to transact business in the Commonwealth of Virginia;
- 17.2. Pocahontas Gas Partnership is an operator in the Commonwealth of Virginia and has satisfied the Board's requirements for operations in Virginia;

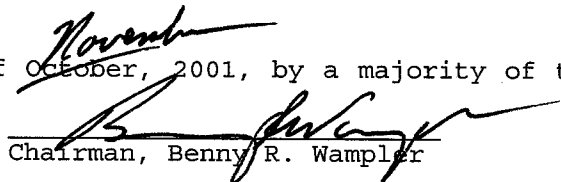
- 17.3. Pocahontas Gas Partnership, claims ownership of gas leases, Coalbed Methane Gas leases, and/or coal leases representing 59.0875 percent of the oil and gas interests/claims in and to Coalbed Methane Gas and 100.00 percent of the coal interests/claims in and to Coalbed Methane Gas in Subject Drilling Unit, and Pocahontas Gas Partnership claims the right to explore for, develop and produce Coalbed Methane Gas from Subject Formations in Oakwood Unit Number BB-37 in Buchanan County, Virginia, which Subject Lands are more particularly described in Exhibit "A";
- 17.4. The estimated total production from Subject Drilling Unit is 125 to 550 MMCF. The estimated amount of reserves from the Subject Drilling Unit is 125 to 550 MMCF;
- 17.5. Set forth in Exhibit B-3 is the name and last known address of each Owner or Claimant identified by the Unit Operator as having or claiming an interest in the Coalbed Methane Gas in Subject Formation in Subject Drilling Unit underlying and comprised of Subject Lands, who has not, in writing, leased to the Applicant or the Unit Operator or agreed to voluntarily pool his interests/claims in and to Coalbed Methane Gas in Subject Drilling Unit for its development. The interests/claims of the Respondents listed in Exhibit B-3 comprise 40.9125 percent of the oil and gas interests/claims in and to Coalbed Methane Gas and 0.00 percent of the coal interests/claims in and to Coalbed Methane Gas in Subject Drilling Unit;
- 17.6. Applicant's evidence established that the fair, reasonable and equitable compensation to be paid to any person in lieu of the right to participate in any well covered hereby are those options provided in Paragraph 9 above;
- 17.7. The relief requested and granted is just and reasonable, is supported by substantial evidence and will afford each person listed and named in Exhibit B-3 hereto the opportunity to recover or receive, without unnecessary expense, such person's just and fair share of the production from Subject Drilling Unit. The granting of the Application and relief requested therein will ensure to the extent possible the greatest ultimate recovery of coalbed methane gas, prevent or assist in preventing the various types of waste prohibited by statute and protect or assist in protecting the correlative rights of all persons in the subject common sources of supply in the Subject Lands. Therefore, the Board is entering an Order granting the relief herein set forth.
18. Mailing Of Order And Filing Of Affidavit: Applicant or its Attorney shall file an affidavit with the Secretary of the Board within sixty (60) days after the date of recording of this Order stating that a true and correct copy of said Order was mailed within seven (7) days from the date of its receipt to each known and locatable Respondent, if any, named in Exhibit B-3 pooled by this Order and to each Respondent named in Exhibit E whose claims are subject to the escrow requirements of this Order.
19. Availability of Unit Records: The Director shall provide all persons not subject to a lease with reasonable access to all records for Subject Drilling Unit which are submitted by the Unit Operator to said Director and/or his Inspector(s).

20. Conclusion: Therefore, the requested relief and all terms and provisions set forth above be and hereby are granted and IT IS SO ORDERED.

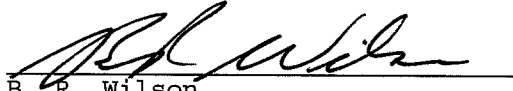
21. Appeals: Appeals of this Order are governed by the provisions of Va. Code § 45.1-361.9 which provides that any order or decision of the Board may be appealed to the appropriate circuit court.

22. Effective Date: This Order shall be effective on the date of its execution.

DONE AND EXECUTED this 8th day of November, 2001, by a majority of the Virginia Gas and Oil Board.

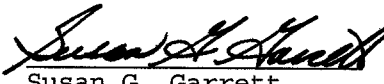

Chairman, Benny R. Wampler

DONE AND PERFORMED this 13th day of November, 2001, by Order of this Board.


B. R. Wilson
Principal Executive to the Staff
Virginia Gas and Oil Board

STATE OF VIRGINIA)
COUNTY OF WISE)

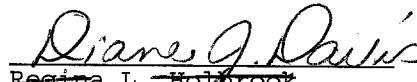
Acknowledged on this 8th day of November, 2001, personally before me a notary public in and for the Commonwealth of Virginia, appeared Benny Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.


Susan G. Garrett
Notary Public

My commission expires July 31, 2002

STATE OF VIRGINIA)
COUNTY OF WASHINGTON)

Acknowledged on this 13th day of November, 2001, personally before me a notary public in and for the Commonwealth of Virginia, appeared B. R. Wilson, 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.

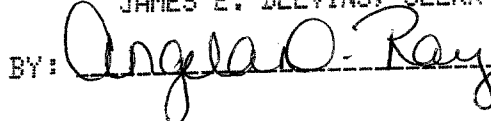

Regina L. Holbrook
Notary Public

My commission expires July 31, 2002

9/30/2005

INSTRUMENT #010005913
RECORDED IN THE CLERK'S OFFICE OF
TAZEWELL COUNTY, VA
Order Recorded Under Code of
Virginia Section 45.1-361.26
NOVEMBER 14, 2001 AT 12:16PM
JAMES E. BLEVINS, CLERK

10

BY:  (DC)

PROPERTY LINES SHOWN WERE TAKEN FROM MAPS
PROVIDED BY CONSOL Inc. AND WERE NOT SURVEYED

BOOK 33 PGO 177

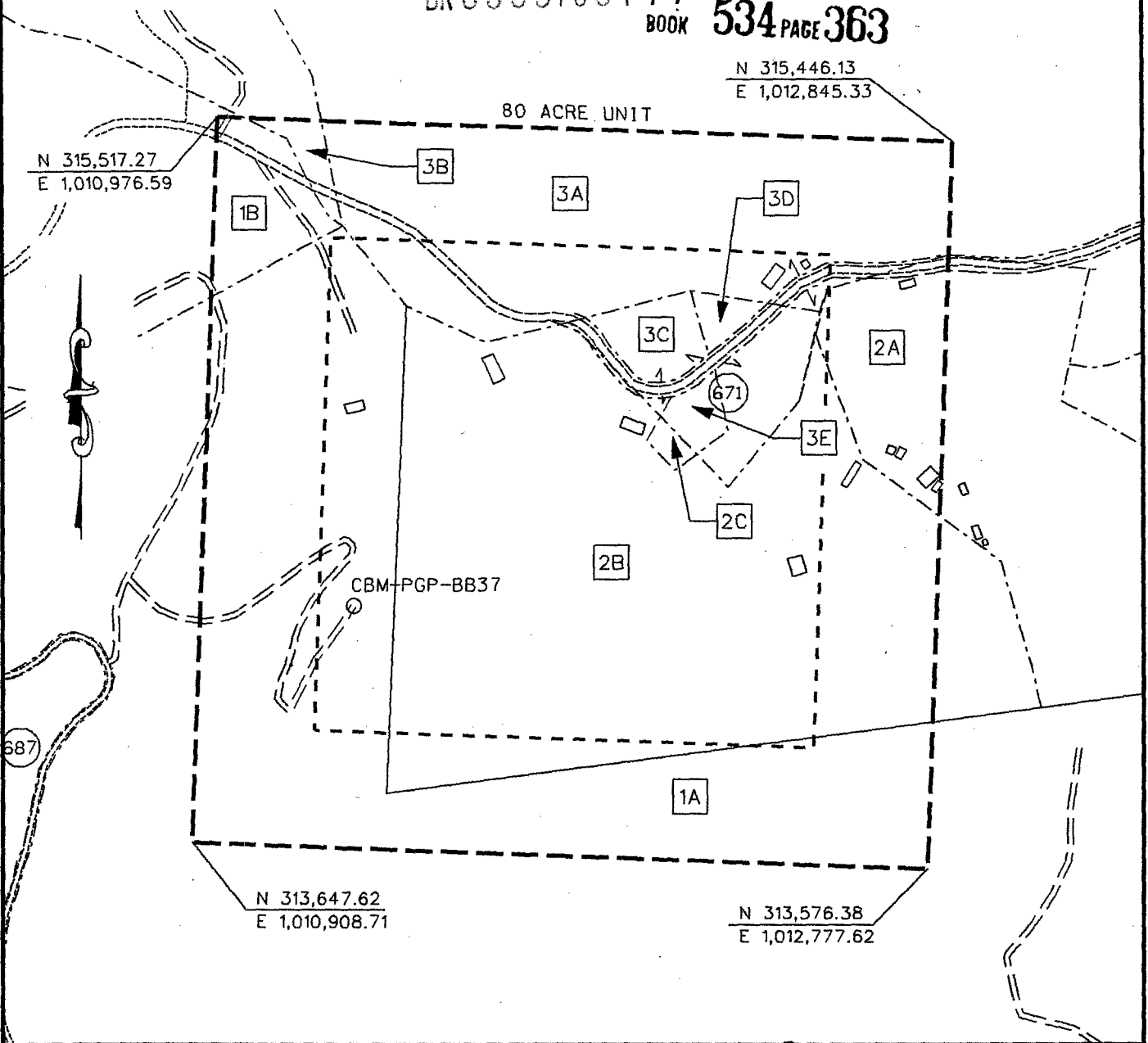
BOOK

534 PAGE 363

N 315,446.13
E 1,012,845.33

80 ACRE UNIT

N 315,517.27
E 1,010,976.59



CBM-PGP-BB37

EXHIBIT A
OAKWOOD FIELD UNIT BB-37
FORCE POOLING
VGOB-01-0717-0901

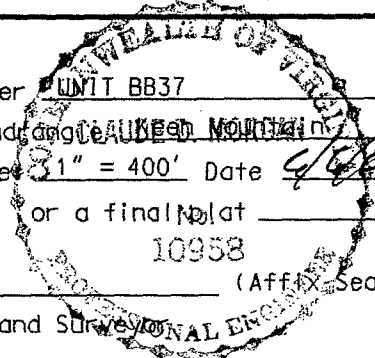
Company Pocahontas Gas Partnership Well Name and Number UNIT BB37
Tract No. _____ Elevation _____ Quadrangle ALLEN MOUNTAIN
County Buchanan/Tazewell District Maiden Springs/Garden Scale 1" = 400' Date 4/9/01
This plat is a new plat X ; an updated plat _____ ; or a final plat _____

Form DGD-GD-7
Rev. 9/91

Charles D. May
Licensed Professional Engineer or Licensed Land Surveyor

10958

(Affix Seal)



POCAHONTAS GAS PARTNERSHIP**UNIT BB-37****Tract Identifications**

1. Commonwealth Coal Company (May & Painter Tr.) - Coal, Oil & Gas
Reserve Coal Properties Company - Below Drainage Coal Leased
Sandy Ridge Energy Corp. - Tiller and Above Coal Leased
Reserve Coal Properties Company - Oil & Gas Leased
Pocahontas Gas Partnership - CBM Leased
27.28 acres 34.1000 %
- 1A. Commonwealth Coal Company (May & Painter Tr.) - Surface
- 1B. Unknown Surface Owner
- 2A. Commonwealth Coal Company (J. M. Hill Tr.) - Coal
Reserve Coal Properties Company - Below Drainage Coal Leased
Sandy Ridge Energy Corp. - Tiller and Above Coal Leased
Pocahontas Gas Partnership - CBM Leased
Bernard Shortt, et al. - Surface, Oil & Gas
3.46 acres 4.3250 %
- 2B. Commonwealth Coal Company (J. M. Hill Tr.) - Coal
Reserve Coal Properties Company - Below Drainage Coal Leased
Sandy Ridge Energy Corp. - Tiller and Above Coal Leased
Pocahontas Gas Partnership - CBM Leased
Bernard Shortt, et ux. - Surface, Oil & Gas
29.09 acres 36.3625 %
- 2C. Commonwealth Coal Company (J. M. Hill Tr.) - Coal
Reserve Coal Properties Company - Below Drainage Coal Leased
Sandy Ridge Energy Corp. - Tiller and Above Coal Leased
Pocahontas Gas Partnership - CBM Leased
Barney A. Shortt, et ux. - Surface, Oil & Gas
0.18 acres 0.2250 %
3. Commonwealth Coal Company (John D. Perry Tr.) - Coal, Oil & Gas
Reserve Coal Properties Company - Below Drainage Coal Leased
Sandy Ridge Energy Corp. - Tiller and Above Coal Leased
Reserve Coal Properties Company - Oil & Gas Leased
Pocahontas Gas Partnership - CBM Leased
19.99 acres 24.9875 %
- 3A. Commonwealth Coal Company (John D. Perry Tr.) - Surface
- 3B. Unknown Surface Owner
- 3C. Unknown Surface Owner
- 3D. Unknown Surface Owner
- 3E. Unknown Surface Owner

BK0833PG0179

Exhibit B-3

CBM-PGP-BB37

Docket No. VGOB-01-0717-0901

List of Unleased Owners/Claimants

BOOK

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	Acres in Unit	Interest in Unit
II. OIL & GAS FEE OWNERSHIP		
<u>Tract #2A, 3.46 acres</u>		
(1) Bernard Shortt, et al.	3.46 acres	4.3250%
(a) Bernard Shortt Star Route Box 74B Raven, VA	3.46 acres	4.3250%
(b) Avis Shortt Star Route Box 74B Raven, VA	Life Estate	
<u>Tract #2B, 29.09 acres</u>		
(1) Bernard Shortt, et ux. Star Route Box 74B Raven, VA 24639	29.09 acres	36.3625%
<u>Tract #2C, 0.18 acres</u>		
(1) Barney Shortt, et ux. 728 Shortts Road Raven, VA 24639	0.18 acres	0.2250%

BK 0833PG0180

Exhibit E

CBM-PGP-BB37

Docket No. VGOB-01-0717-0901

BOOK 534 PAGE 366

List of Conflicting Owners/Claimants that require escrow

	Acres in Unit	Interest in Unit
<u>Tract #2A, 3.46 acres</u>		
<u>COAL FEE OWNERSHIP</u>		
(1) Commonwealth Coal Company P.O. Box 1269 Bristol, VA 24203	3.46 acres	4.3250%
<u>OIL & GAS FEE OWNERSHIP</u>		
(1) Bernard Shortt, et al.	3.46 acres	4.3250%
(a) Bernard Shortt Star Route Box 74B Raven, VA	3.46 acres	4.3250%
(b) Avis Shortt Star Route Box 74B Raven, VA	Life Estate	
<u>Tract #2B, 29.09 acres</u>		
<u>COAL FEE OWNERSHIP</u>		
(1) Commonwealth Coal Company P.O. Box 1269 Bristol, VA 24203	29.09 acres	36.3625%
<u>OIL & GAS FEE OWNERSHIP</u>		
(1) Bernard Shortt, et ux. Star Route Box 74B Raven, VA 24639	29.09 acres	36.3625%
<u>Tract #2C, 0.18 acres</u>		
<u>COAL FEE OWNERSHIP</u>		
(1) Commonwealth Coal Company P.O. Box 1269 Bristol, VA 24203	0.18 acres	0.2250%
<u>OIL & GAS FEE OWNERSHIP</u>		
(1) Barney Shortt, et ux. 728 Shortts Road Raven, VA 24639	0.18 acres	0.2250%

VIRGINIA: In the Clerk's Office of the Circuit Court of Buchanan County. The foregoing instrument was this day presented in the office aforesaid and is, together with the certificate of acknowledgment annexed, admitted to record this 14th day of November 2001 M. Deed Book No. 534 and Page No. 353 TESTE: James M. Bevin, Jr., Clerk
Returned this date to: James M. Bevin, Jr. TESTE: James M. Bevin, Jr., Deputy Clerk

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TA

834 REC 300

BY: _____

INSTRUMENT #010003535
RECORDED IN THE CLERK'S OFFICE OF
BUCHANAN COUNTY ON
NOVEMBER 14, 2001 AT 03:11PM
JAMES H. BEVINS JR., CLERK

