

V I R G I N I A:

BEFORE THE VIRGINIA GAS AND OIL BOARD

APPLICANT: POCAHONTAS GAS PARTNERSHIP,	) VIRGINIA GAS
	) AND OIL BOARD
)
	) DOCKET NO.
RELIEF SOUGHT: POOLING OF INTERESTS IN	) 97-0318-0571-01
DRILLING UNIT NO. W-34	) (Modification of
LOCATED IN THE OAKWOOD COALBED	) Board Order
METHANE GAS FIELDS I AND II	) entered May 22,
PURSUANT TO VA. CODE ANN.	) 1997 and filed
§ 45.1-361.22, FOR THE PRODUCTION	) June 4, 1997 with
OF OCCLUDED NATURAL GAS PRODUCED	) the Clerk of the
FROM COALBEDS AND ROCK STRATA	) Circuit Court of
ASSOCIATED THEREWITH	) Buchanan County,
FROM FRAC WELLS, SHORT HOLES,	) VA in Deed Book
UNSEALED GOB, AND ANY	) 463 at Page 168
ADDITIONAL WELLS THAT MAY	) (herein "Original
BE AUTHORIZED PURSUANT TO	) Pooling Order")
VA. CODE ANN. § 45.1-361.20)
(herein collectively referred)
to as "Coalbed Methane Gas")
or "Gas"))
)
LEGAL DESCRIPTION:)
)
DRILLING UNIT NUMBER W-34)
(hereafter "Subject Drilling Unit"))
IN THE OAKWOOD COALBED METHANE GAS)
FIELDS I AND II)
GARDEN MAGISTERIAL DISTRICT,)
KEEN MOUNTAIN QUADRANGLE)
BUCHANAN COUNTY, 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 hearing before the Virginia Gas and Oil Board (hereafter "Board") at 9:00 a.m. on May 18, 1999, Dickenson Conference Center, Southwest Virginia Education 4-H Center, Abingdon, Virginia.

2. Appearances: Mark Swartz, Esquire, appeared for the Applicant; and Sandra B. Riggs was present to advise to 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 or pools and rock strata associated therewith (hereafter "Subject Formation") in Subject Drilling Unit underlying and comprised of Subject Lands; (2) represented to the Board that it has given notice to said parties who are identified in revised Exhibit B-3 (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 revised 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: Plat, Exhibit B-3, and Exhibit E.

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 modify the Original Pooling Order and pursuant to the terms of this order repool all the rights, interests and estates in and to the Gas in Subject Drilling Unit, including the pooling of the interests of the known and unknown persons named in revised 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.

7. Relief Granted: The 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" or "Operator") is designated as the Unit Operator authorized to drill and operate the Coalbed Methane Gas wells in the Subject Drilling Unit and/or well(s) outside the Subject Drilling Unit but from which

production is allocated to Subject Drilling Unit, all 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; to the Oakwood Coalbed Gas Field II Board's Order 91-1119-0162 effective as of December 17, 1992;; 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; (2) the Original Pooling Order is superceded by the terms of this Order, and in particular the Original Pooling Order is modified by deleting in toto the exhibits attached to said order and replacing them with the exhibits attached hereto, and (3) all the interests and estates in and to the Gas in Subject Drilling Unit, including that of the known and unknown persons listed on revised 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>Subject Formation</u>	<u>Unit Size</u>	<u>Permitted Well Location(s)</u>	<u>Field and Well Classification</u>	<u>Order Number</u>
All coalbeds 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 associated therewith.	Approximately 80-acre square.	One (1) well bore is proposed to be drilled upon the surface overlying Subject Drilling Unit.	Oakwood Coalbed Gas Field I and Oakwood Coalbed Methane Gas Field II for Coalbed Methane Gas including Frac Well Gas, as well as Unsealed Gob Gas, Short Hole Gas, and Gas from any Additional Well.	OGCB 3-90, as amended, by orders issued in Docket Nos. VGOB 93-0216-0325 and VGOB 93-0316-0348 (herein "Oakwood I Field Rules") and VGOB No. 91-1119-0162 as amended by Orders Issued in VGOB Docket Nos. 93-0216-0325, 93-0216-336, 93-03160348, and 93-0316-0349 (herein "Oakwood II Field Rules") And VGOB No.

97-0318-
0571 entered
on May 22,
1997 and
filed on
June 4, 1997
In Deed Book
463, Page
168 (herein
"Original"
Pooling
Order")

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

Unit Number W-34
Buchanan County, Virginia

Pursuant to the Oakwood II Field Rules, the Board has adopted the following method for the calculation of production and revenue and allocation of allowable costs for short hole and unsealed gob production of Coalbed Methane Gas dependent upon the particular long wall mining plan applicable to each 80-acre drilling unit.

The designated operator of any 80-acre drilling unit or units within the boundaries of which any long wall panel which has been isolated by the driving of entries is located and from which Unsealed Gob Gas, Short Hole Gas or Gas from any Well authorized by the Code of Virginia is produced, shall calculate production and revenue based upon the mine plan as implemented within each affected 80-acre drilling unit and in particular, based upon the mineral acreage, as platted upon the surface, in each 80-acre drilling unit actually contained within a long wall panel as depicted by said mine plan. Except as otherwise provided herein, a copy of the pertinent portion of the mine plan being utilized to calculate production, revenue and costs from any affected 80-acre drilling unit shall be filed of record with the Board prior to the payment of any revenue based upon such calculations. The formula or division of interest for production from any 80-acre drilling unit affected by a long wall panel and from any separately owned tract in any such 80-acre unit shall be calculated as follows:

- 7.1. 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 long wall panel, bears to the total mineral acreage, when platted on the surface, contained within the entire long wall panel affecting such 80-acre drilling unit.

7.2. 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 long wall panel, bears to the total mineral acreage, when platted on the surface, contained within the entire long wall panel affecting such 80-acre drilling unit.

7.3. i. For Gas from Any Well Located in a Long Wall Panel. - After actual commencement of coal mining operations by the driving of entries and completion of isolation of a long wall 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 long wall panel, bears to the total mineral acreage, when platted on the surface, contained within the entire long wall panel affecting such 80-acre drilling unit.

ii. For Frac Well Gas. - Prior to the actual commencement of coal mining operations by the driving of entries and completion of isolation of a long wall panel, Gas from any well located in a proposed long wall panel shall be produced from and allocated to only the 80-acre drilling unit in which the well 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 revised Exhibit B-3 hereto does not reach a voluntary agreement to share in the operation of the wells to be located in the Subject Drilling Unit and/or outside the Subject Drilling Unit but from which production is allocated to 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 Development and Operation of the Drilling Unit: Any Gas Owner or Claimant named in revised Exhibit B-3 who does not reach a voluntary agreement with the 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 development contemplated by this Order for frac well gas, short hole gas, unsealed gob gas and gas from any additional well that may be authorized pursuant to Va. Code § 45.1-361.20, including a reasonable supervision fee, as more particularly set forth in Virginia Gas and Oil Board Regulation 4 VAC 25-160-100 (herein "Allocable, Completed for Production Costs"). Further, a Participating Operator agrees to pay the estimate of such Participating Operator's proportionate part of the Allocable, Completed-for-Production Panel Costs 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 estimated Allocable, Completed-for-Production Panel Costs for the Subject Drilling Unit are as follows:

Allocable, Completed-for-Production Panel Costs:

Panel 11 East	\$ 2,491.80
Panel 12 East	111,006.17
Panel 13 East	<u>62,359.61</u>
Total	\$175,857.58

A Participating Operator's proportionate cost hereunder shall be obtained by multiplying the Participating Operator's "Percent of Unit" times the Total Completed-for-Production Panel 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 Allocable, Completed-for Production Panel Costs 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 revised 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 Division of Interest or proportional share of said production [for purposes of this Order, net proceeds shall be actual proceeds received less all post-production costs incurred downstream of the wellhead, including, but not limited to, all 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 sixty (60) 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 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 revised 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 in Subject Drilling Unit on a carried basis (as a "Carried Well Operator") so that the proportionate part of the Allocable, Completed-for-Production Panel Costs 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 Allocable, Completed-for-Production Panel Costs 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 in Subject Drilling Unit.

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 revised 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 or 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 revised 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 Allocable, Completed-for-Production Panel Cost as set forth herein, all within the time and in the manner 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 sixty (60) 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 revised Exhibit B-3 is unable to reach a voluntary agreement to share in the operation and development of the well(s) contemplated by this Order at a rate of payment agreed to mutually by said Owner or Claimant and the 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 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(s), 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 Wells in Subject Formation in Subject Drilling Unit and/or well(s) outside the Subject Drilling Unit but from which production is allocated to 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 and the Oakwood Coalbed Methane Gas Field II Order VGOB 91-1119-0162, 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: Pursuant to Permit #3312 and the Original Pooling Order, the Unit Operator has heretofore drilled Well CBM-PGP-W34A within the Subject Drilling Unit and/or the well(s) outside the Subject Drilling Unit but from which production is allocated to the Subject Drilling Unit. Unless sooner terminated by Order of the Board, this Order shall expire at 12:00 P.M. on the date on which the well covered by this Order and/or all wells from which production is allocated to the Subject Drilling Unit is permanently abandoned and plugged.

The Unit Operator shall file with the Board notice of the date on which any longwall panel becomes isolated by the driving of entries thereby resulting in a change in the method of the calculation of production and revenue and the allocation of allowable costs from that provided in the Oakwood I Field Rules to that provided in the Oakwood II Field Rules in the manner summarized in Paragraph 7 above.

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 well development or operation in 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 Applicant has represented to the Board that there are no unknown or unlocatable persons whose interests are subject to the provisions of Paragraph 16.1 below, but that the interests of the Claimants identified in Exhibit E hereto are subject to the requirements of Paragraph 16.2 below. In the Original Pooling Order, the Board instructed the Escrow Agent named herein or any successor named by the Board to establish an interest-bearing escrow account for the Unit (herein "the Escrow Account"). The Escrow Agent is directed to continue to maintain the Escrow Account, and to create subaccounts for Tracts 2, 4, 5, and 7, those identified in Exhibit E and to receive and account to the Board pursuant to its agreement for the escrowed funds hereafter described:

First Virginia Bank-Mt. Empire
P.O. Box 1038
Abingdon, VA 24210
Telephone: (540) 628-2242
Fax: (540) 628-2766
Attention: Ms. Debbie Davis

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 Operator into the Escrow Account, commencing within sixty (60) 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 of 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 or other payment, together with Participating Operator's Proportionate Costs paid to 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 sixty (60) 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. Applicant is a Virginia general partnership composed of Consolidation Coal Company, a Delaware corporation, and CONOCO, Inc., a Delaware corporation;
- 17.2 Pocahontas Gas Partnership is duly authorized to transact business in the Commonwealth of Virginia, is an operator in the Commonwealth of Virginia and has satisfied the Board's requirements for operations in Virginia;
- 17.3 By Order entered May 22, 1997, and filed June 4, 1997, with the Clerk of the Circuit Court of Buchanan County, VA in Deed Book 463 at Page 168 (herein referred to as the "Original Pooling Order"), the Board designated the Applicant as the Unit Operator of Subject Drilling Unit and pooled all the interests and estates in and to the Gas in Subject Drilling Unit, including that of the Commonwealth of Virginia, Department of Transportation in Tract 7. Subsequent to the entry of the Original Pooling Order, the Unit Operator discovered an error in the exhibits to the Original Pooling Order in that the Plat failed to reflect Tract 2 depicted in the attached revised Plat and the Surface Oil and Gas estate of Carl Davis in said Tract 2. The Unit Operator filed its application herein seeking a modification of the Original Pooling Order to correct the exhibits thereto and to extend to the parties listed on revised Exhibit B-3 attached hereto the election rights set forth in Paragraph 8 and 9 above;
- 17.4 Applicant claims ownership of gas leases, coalbed methane gas leases, and/or coal leases representing 100 percent of the coal and 93.3375 percent of the oil and gas interests in Subject Drilling Unit. The Applicant claims the right to explore for, develop and produce Coalbed Methane Gas from coal seams below the Tiller seam in Subject Drilling Unit underlying Subject Lands which are more particularly described in Exhibit "A";

- 17.5 Pursuant to Permit #3312, the Applicant has heretofore drilled Well CBM-PGP-W34A on the surface overlying Subject Drilling Unit to develop the pool of Gas in Subject Formations;
- 17.6 Subject Drilling Unit is located over Buchanan No. 1 Mine's proposed 11 East longwall panel, 12 East longwall panel and 13 East longwall panel, as depicted on the mine plan attached hereto as Exhibit G. Mining is estimated to commence in the longwall panels that underlie Subject Drilling Unit in approximately two (2) to four (4) years from the date of the hearing of this matter;
- 17.7 The estimated total production from Subject Drilling Unit is 1200 - 2000 MMCF. The estimated average production for Subject Drilling Unit over its life is 1600 MMCF;
- 17.8 Conflicting Owners/Claimants whose interests are subject to escrow are listed on revised Exhibit E. Set forth in revised Exhibit B-3 is the name and last known address of each person identified by the Applicant as an Owner or Claimant of Coalbed Methane Gas in Subject Formation in Subject Drilling Unit underlying and comprised of Subject Lands, who has not, in writing, leased to the Unit Operator or agreed to voluntarily pool his Gas interests in Subject Drilling Unit for its development. The interests of the Respondents listed in revised Exhibit B-3 comprise 6.6625 percent of the oil and gas interests and 0 percent of the coal interests in Subject Drilling Unit;
- 17.9 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;
- 17.10 The relief requested and granted is just and reasonable, is supported by substantial evidence and will afford each person listed and named in revised 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 Respondent pooled by this Order and whose address is known.

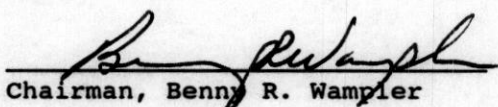
19. Availability of Unit Records: The Director shall provide all persons not subject to a lease with reasonable access to all records for Subject Drilling Unit which are submitted by the Unit Operator to said Director and/or his Inspector(s).

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

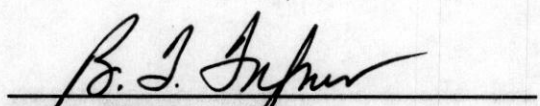
21. Appeals: Appeals of this Order are governed by the provisions of Va. Code § 45.1-361.9 which provides that any order or decision of the Board may be appealed to the appropriate circuit court. Such appeals must be taken in the manner prescribed in the Administrative Process Act, Va. Code § 9-6.14:1 et seq.

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

DONE AND EXECUTED this 28th day of June, 1999, by a majority of the Virginia Gas and Oil Board.

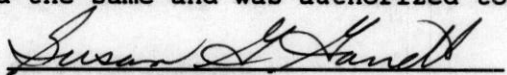

Chairman, Benny R. Wampler

DONE AND PERFORMED this 2nd day of July, 1999, by Order of this Board.


Byron Thomas Fulmer
Principal Executive To The Staff
Virginia Gas and Oil Board

STATE OF VIRGINIA)
COUNTY OF WISE)

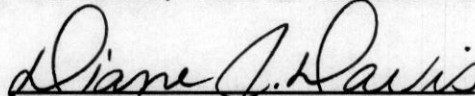
Acknowledged on this 28th day of June, 1999, personally before me a notary public in and for the Commonwealth of Virginia, appeared Benny Wampler, being duly sworn did depose and say that he is Chairman of the Virginia Gas and Oil Board, that he executed the same and was authorized to do so.


Susan G. Garrett
Notary Public

My commission expires July 31, 2002

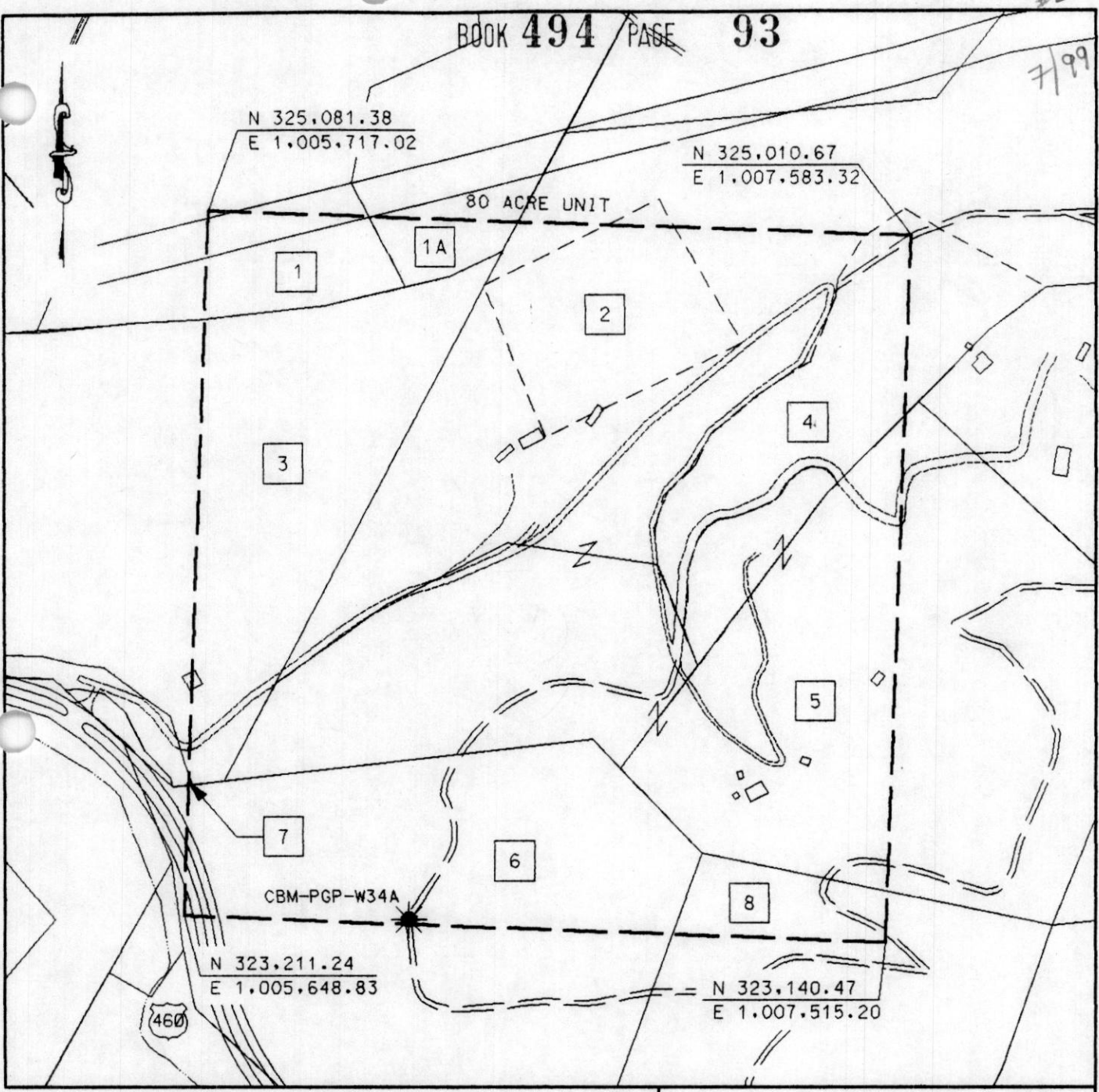
STATE OF VIRGINIA)
COUNTY OF WISE)

Acknowledged on this 2nd day of July, 1999, 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 September 30, 2001

#2
7/99



LEGEND



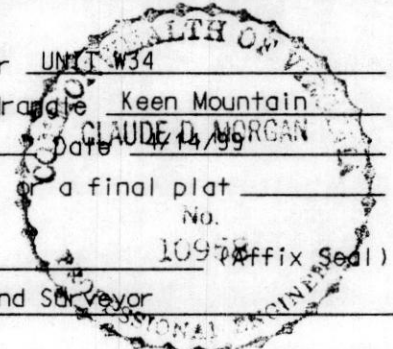
-  TRACT LAND HOOK
-  TRACT LAND ID'S

EXHIBIT A
OAKWOOD FIELD UNIT W-34
FORCE POOLING
VGOB-97-0318-0571-01

Company Pocahontas Gas Partnership Well Name and Number UNIT W34
 Tract No. _____ Elevation _____ Quadrangle Keen Mountain
 County Buchanan District Garden Scale: 1" = 400' Date 7/14/99
 This plat is a new plat ; an updated plat _____ ; or a final plat _____

Form DGO-GO-7
 Rev. 9/91
Claude D. Morgan
 Licensed Professional Engineer or Licensed Land Surveyor
 No. 10978 (Affix Seal)



POCAHONTAS GAS PARTNERSHIP
Oakwood Field Unit W-34
Tract Identifications

1. Yukon Pocahontas Coal Co. et al - Tr. 6 - Coal, Oil & Gas
 Coal Lessees
 Island Creek Coal Company
 Jewell Smokeless Coal Corporation
 Permac, Inc.
 Pocahontas Gas Partnership - CBM Lessee
 Yukon Pocahontas Coal Co. et al - Tr. 6 - Surface
 3.22 acres 4.0250%

- 1A. Curtis Thurman Davis - Surface

2. Hurt McGuire Heirs - Coal
 Coal Lessees
 Island Creek Coal Company
 Jewell Smokeless Coal Corporation
 Permac, Inc.
 Pocahontas Gas Partnership - CBM Lessee
 Carl Davis - Surface, Oil & Gas
 5.32 acres 6.6500%

3. Hurt McGuire Heirs - Coal, Oil & Gas
 Coal Lessees
 Consolidation Coal Company
 Jewell Smokeless Coal Corporation
 Permac, Inc.
 Pocahontas Gas Partnership - Oil & Gas Lessee
 Pocahontas Gas Partnership - CBM Lessee
 12.71 acres 15.8875%

4. Hurt McGuire Heirs - Coal
 Coal Lessees
 Consolidation Coal Company
 Jewell Smokeless Coal Corporation
 Permac, Inc.
 Pocahontas Gas Partnership - Oil & Gas Lessee
 Pocahontas Gas Partnership - CBM Lessee
 Hassell & Vonda Davis - Surface, Oil & Gas
 7.37 acres 9.2125%

5. Hurt McGuire Heirs - Coal
 Coal Lessees
 Consolidation Coal Company
 Jewell Smokeless Coal Corporation
 Permac, Inc.
 Curtis Thurman Davis - Oil & Gas
 Pocahontas Gas Partnership - CBM, Oil & Gas Lessee
 36.40 acres 45.5000%

POCAHONTAS GAS PARTNERSHIP
Oakwood Field Unit W-34
Tract Identifications

6. Yukon Pocahontas Coal Co. et al - Tr. 94 - Fee
Coal Lessees
Consolidation Coal Company
Jewell Smokeless Coal Corporation
Permac, Inc.
Pocahontas Gas Partnership - CBM Lessee
12.80 acres 16.0000%

7. Virginia Department Of Transportation - Coal, Oil & Gas
0.01 acres 0.0125%

8. Yukon Pocahontas Coal Co. et al - Tr. 95 - Fee
Coal Lessees
Consolidation Coal Company
Jewell Smokeless Coal Corporation
Permac, Inc.
Pocahontas Gas Partnership - CBM Lessee
2.17 acres 2.7125%

UNIT W-34
 Docket # VGOB-97-0318-0571-01
 Revised Exhibit B-3
 List of Unleased Owners/Claimants

	Acres in Unit	Percent of Unit	Division of Interest in		
			11 East 0.1695%	12 East 7.5514%	13 East 4.2421%
I. OIL & GAS FEE OWNERSHIP					
Tract #2, 5.32 acres					
(1) Carl Davis Box 343 Doran, VA 24612	5.32 acres	6.65000%	0.01127%	0.50217%	0.28210%
Tract #7, 0.01 acres					
(1) Commonwealth of Virginia Department of Transportation 870 Bonham Road Bristol, VA 24201	0.01 acres	0.01250%	0.00002%	0.00094%	0.00053%

[Note] (ALL SEAMS EXCEPT POCAHONTAS NO. 3)

List of Conflicting Owners/Claimants that Require Escrow

	Acres in Unit	Percent of Unit	Division of Interest in		
			11 East 0.1695%	12 East 7.5514%	13 East 4.2421%
Tract #2, 5.32 acres					
<u>COAL FEE OWNERSHIP</u>					
(1) Hurt McGuire c/o Charles Green 1805 1/2 Jefferson Avenue Bluefield, WV 24701	5.32 acres	6.65000%	0.01127%	0.50217%	0.28210%
<u>OIL & GAS FEE OWNERSHIP</u>					
(1) Carl Davis B0x 343 Doran, VA 24612	5.32 acres	6.65000%	0.01127%	0.50217%	0.28210%
Tract #4, 7.37 acres					
<u>COAL FEE OWNERSHIP</u>					
(1) Hurt McGuire c/o Charles Green 1805 1/2 Jefferson Avenue Bluefield, WV 24701	7.37 acres	9.21250%	0.01562%	0.69567%	0.39080%
<u>OIL & GAS FEE OWNERSHIP</u>					
(1) Hassell Davis General Delivery Shortt Gap, VA 24647	7.37 acres	9.21250%	0.01562%	0.69567%	0.39080%
Tract #5, 36.4011.78 acres					
<u>COAL FEE OWNERSHIP</u>					
(1) Hurt McGuire c/o Charles Green 1805 1/2 Jefferson Avenue Bluefield, WV 24701	36.40 acres	45.50000%	0.07712%	3.43589%	1.93016%
<u>OIL & GAS FEE OWNERSHIP</u>					
(1) Curtis Davis Rt. 1, Box 193 Raven, VA 24639	36.40 acres	45.50000%	0.07712%	3.43589%	1.93016%
Tract #7, 0.01 acres					
<u>COAL FEE OWNERSHIP</u>					
(1) Commonwealth of Virginia Department of Transportation 870 Bonham Road Bristol, VA 24201	0.01 acres	0.01250%	0.00002%	0.00094%	0.00053%

Docket # VGOB-97-0318-0571-01

Revised Exhibit E

List of Conflicting Owners/Claimants that Require Escrow

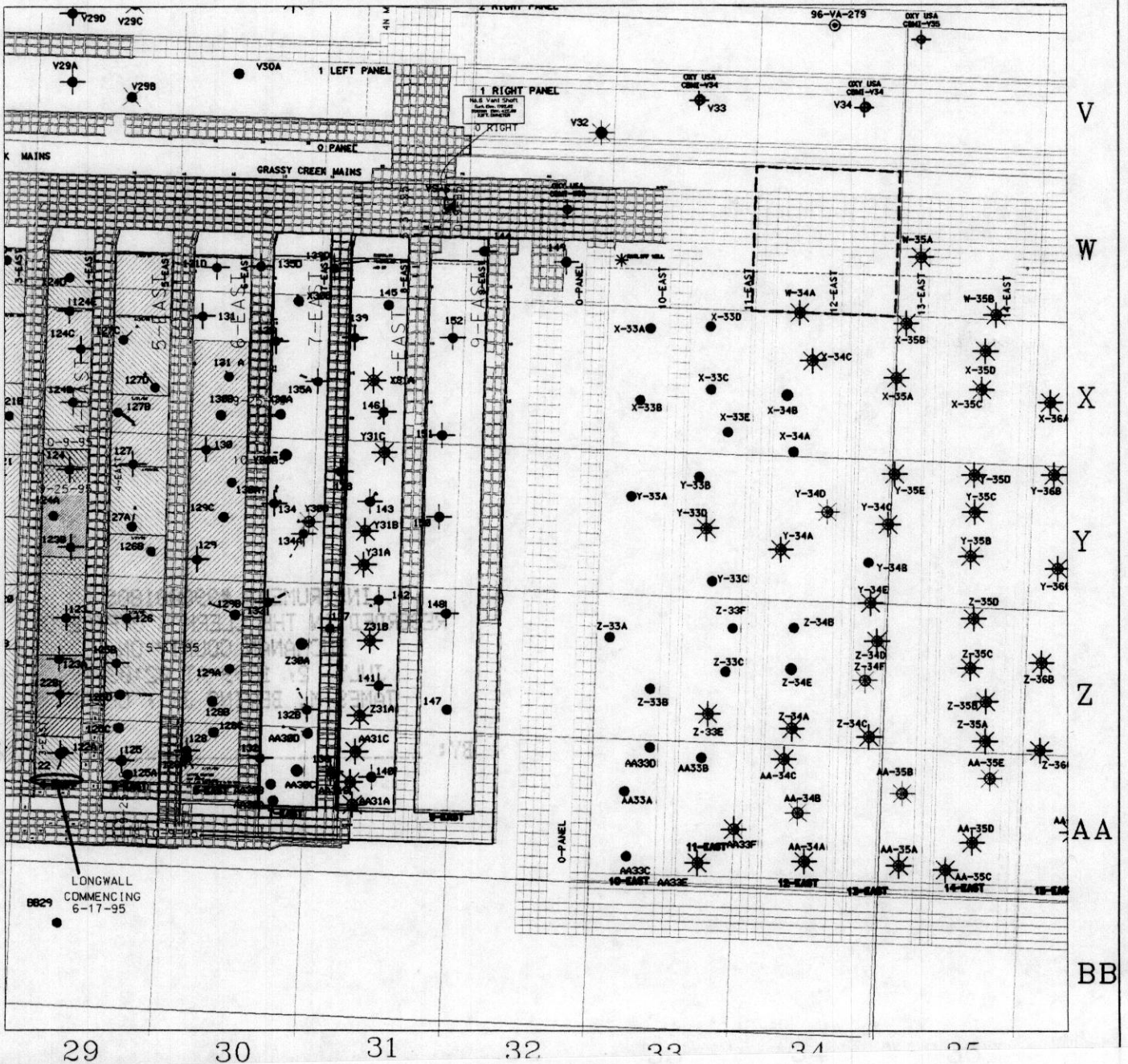
	Acres in Unit	Percent of Unit	Division of Interest in		
			11 East 0.1696%	12 East 7.5514%	13 East 4.2421%

- (2) Consolidation Coal Company (Pocahontas No. 3 Seam Only)
P. O. Box 947
Bluefield, VA 24605

OIL & GAS FEE OWNERSHIP

- | | | | | | |
|--|-------------------|-----------------|-----------------|-----------------|-----------------|
| <ul style="list-style-type: none"> (1) Commonwealth of Virginia
Department of Transportation
870 Bonham Road
Bristol, VA 24201 (2) Consolidation Coal Company (Pocahontas No. 3 Seam Only)
P. O. Box 947
Bluefield, VA 24605 | <p>0.01 acres</p> | <p>0.01250%</p> | <p>0.00002%</p> | <p>0.00094%</p> | <p>0.00053%</p> |
|--|-------------------|-----------------|-----------------|-----------------|-----------------|

VIRGINIA GAS AND OIL BOARD
DOCKET NO. VGOB-97-0318-0571
EXHIBIT G
BUCHANAN NO.1



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 2nd day of July, 1995 at 10:30 P. M.
Deed Book No. 494 and Page No. 99 TESTE: James M. Bevins, Jr., Clerk
Returned this date to; Diane Davis TESTE: Deborah S. Jones Deputy Clerk