

Virginia Department of Mines, Minerals & Energy  
Virginia Gas and Oil Board

Minutes and results of hearing, April 18, 2006

Board members present: Ms. Barber, Mr., Harris, Mr. Ratliff, Ms. Quillen, Mr. Wampler

1. The Board received a quarterly report on the board escrow account as administered by Wachovia Bank, Escrow Agent for the Virginia Gas and Oil Board.

Opening balance for the quarter was \$12,726,403.27. The account received deposits of \$1,007,581.45 plus interest of \$120,016.68, and was debited for \$238,894.38 in disbursements and \$30,000 in bank fees leaving a closing balance of \$13,585,107.02. Closing interest rate for the quarter was 4.38%.

2. The Virginia Gas and Oil Board heard a petition from Columbia Natural Resources, LLC for re-pooling of conventional unit 825404, North Grundy District, Buchanan County, Virginia. Docket Number VGOB-05-0315-1420-02. Continued from February 2006.

In the 825404 112.69-acre conventional gas unit, the applicant controls 95.2% of the oil and gas interests, and seeks to pool the remaining 4.8% of the interests. Unleased acreage subject to pooling totals 5.4 net acres in two tracts having 22 unleased owners. There are no unlocated owners subject to escrow. A permit to drill the unit was issued on 9/6/05. The petition was withdrawn by the applicant.

3. The Virginia Gas and Oil Board heard a petition from John Sheffield, Trustee of Oryn Treadway Sheffield, Jr. Trust and Oryn Sheffield, Jr., as Trustee of John Tolman Sheffield Trust requesting escrowing of funds attributable to conflicting interests underlying properties belonging to the Trusts, Big Prater Creek, Hurricane Creek and Russell Fork River areas, Buchanan County, Virginia. Docket Number VGOB-05-1213-1548. Continued from March 2006.

The petitioners claim ownership of coalbed methane interests in 69 tracts of land but have not been included in previous poolings or other actions involving the property. They are requesting that the Board require funds attributable to their claimed interest be placed in escrow. Continued to June in order to address notice issues.

4. The Virginia Gas and Oil Board heard a petition from EOG Resources, Inc. for creation and pooling of a conventional gas unit Plum Creek #27-06, North Grundy District, Buchanan County, Virginia. Docket Number VGOB-06-0321-1604. Continued from March 2006.

In the Plum Creek #27-06 112.69-acre conventional gas unit, the applicant controls 62.2% of the oil and gas interests, and seeks to pool the remaining 37.8% of the interests. Unleased acreage subject to pooling totals 42.6 net acres in one tract having one owner who is not leased to the applicant. There are no unlocated owners subject to escrow. A permit application has been submitted. Continued to May.

5. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for re-pooling of coalbed methane unit VC-536616, Prater District, Buchanan County, Virginia. Docket Number VGOB-05-1115-1532-01. Continued from March 2006.

In the VC-536616 58.77-acre unit, the applicant controls 99.5% of the coal interests and 0.0% of the gas interests, and seeks to pool the remaining 0.5% of the coal interests and 100% of the gas interests. Unleased coal acreage subject to pooling totals 0.3 net acres in one tract with one unleased owner. Unleased gas acreage totals 58.77 acres in three tracts having one unlocated owner (99.5%) and one owner leased to a third party. There are conflicting claimants and unknown owners subject to escrow. A permit to drill the unit was issued on 12/16/05. Continued to May.

6. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for re-pooling of coalbed methane unit VC-536474, Sandlick District, Dickenson County, Virginia. Docket Number VGOB-05-1115-1533-01. Continued from March 2006.

In the VC-536474 58.77-acre unit, the operator controls 89.6% of the coal and gas interests, and seeks to pool the remaining 10.4% of the interests. Unleased acreage subject to pooling totals 6.1 net acres in one tract with one owner who is not leased to the applicant. There are no conflicting claimants or unknown

owners subject to escrow. The unit was originally pooled in November 2005. No permit application has been submitted. Continued to May.

7. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for re-pooling of coalbed methane unit VC-536475, Sandlick District, Buchanan County, Virginia. Docket Number VGOB-05-1115-1537-01. Continued from March 2006.

In the VC-536475 58.77-acre unit, the operator controls 42.1% of the coal and gas interests, and seeks to pool the remaining 57.9% of the interests. Unleased acreage subject to pooling totals 34.0 net acres in two tracts with two owners who is not leased to the applicant. There are no conflicting claimants but there are unknown owners subject to escrow. The unit was originally pooled in November 2005. No permit application has been submitted. Continued to May.

8. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane unit VC-536622, Prater District, Buchanan County, Virginia. Docket Number VGOB-06-0321-1608. Continued from March 2006.

In the VC-536622 58.77-acre unit, the applicant controls 94.1% of the coal interests and 0.0% of the gas interests, and seeks to pool the remaining 5.9% of the coal interests and 100% of the gas interests. Unleased coal acreage subject to pooling totals 3.3 net acres in one tract with one unleased owner. Unleased gas acreage totals 58.77 acres in Two tracts having one unlocated owner (94.6%) and one owner leased to a third party. There are conflicting claimants and unknown owners subject to escrow. A permit application has been submitted. Continued to May.

9. A recommendation by the Division of Gas and Oil to impose civil charges against CNX Gas Company, LLC for violation of regulation Section 4VAC25-150-560, operation CBM H44A, Garden District, Buchanan Co., Virginia. Docket Number VGOB-06-0418-1614.

The Division of Gas and Oil issued a Notice of Violation to CNX Gas Company, LLC after discovery that the company drilled well H44A into an active underground coal mine without an approved plan for protection of workers in the mine. There were no injuries or other serious outcomes from drilling of the well. The Division is recommending civil charges, in accordance with the Board's Civil Charge Procedural Rule, based on the potential seriousness of the event. A civil charge of \$1,500 was approved.

10. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit V-8, Prater District, Buchanan County, Virginia. Docket Number VGOB-06-0418-1615.

In the V-8 80-acre unit, the applicant controls 99.6% of the coal interests and 99.8% of the gas interests, and seeks to pool the remaining 0.4% of the coal interests and 0.2% of the gas interests. Unleased coal acreage subject to pooling totals 19.6 net acres in three tracts with one unleased owner, and gas acreage subject to pooling totals 0.2 net acres in one tract with one unleased owners. There are conflicting claimants subject to escrow and conflicting claimants subject to existing royalty split agreements. No application for permit to drill the unit has been submitted. Pooling was approved.

11. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for pooling of coalbed methane unit W-4, Prater District, Buchanan County, Virginia. Docket Number VGOB-06-0418-1616.

In the W-4 80-acre unit, the applicant controls 96.8% of the coal interests and 91.4% of the gas interests, and seeks to pool the remaining 3.2% of the coal interests and 8.6% of the gas interests. Unleased coal acreage subject to pooling totals 2.6 net acres in one tract with 16 unleased owner, and gas acreage subject to pooling totals 6.9 net acres in two tracts with 36 unleased owners. There are conflicting claimants and unknown owners subject to escrow. A permit to drill the unit has was issued on 1/6/06. Pooling was approved.

12. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for re-pooling of coalbed methane unit EE-13, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-04-0921-1333-01.

In the EE-13 80-acre unit, the operator controls 88.4% of the coal and gas interests, and seeks to pool the remaining 11.6% of the interests. Unleased acreage subject to pooling totals 9.3 net acres in two tracts

having 48 unleased owners. There are conflicting claimants and unknown owners subject to escrow. The unit was originally pooled in September 2004. A permit to drill the unit was issued on 9/14/04. Pooling was approved.

13. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for re-pooling of coalbed methane unit EE-14, Hurricane District, Buchanan County, Virginia. Docket Number VGOB-04-0921-1334-01.

In the EE-14 80-acre unit, the operator controls 95.2% of the coal and gas interests, and seeks to pool the remaining 4.8% of the interests. Unleased acreage subject to pooling totals 3.9 net acres in one tract having 48 unleased owners. There are conflicting claimants and unknown owners subject to escrow. The unit was originally pooled in September 2004. A permit to drill the unit was issued on 9/14/04. Pooling was approved.

14. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payment of royalties on Tracts 2 and 3, unit S-35, Garden District, Buchanan County, Virginia. Docket Number VGOB-98-0915-0681-02.

Owners of conflicting claims to coalbed methane have entered into a split agreement allowing for the disbursement of escrowed funds and direct payment of future revenues. Continued to May.

15. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payment of royalties on Tracts 3 and 4, unit S-36, Garden District, Buchanan County, Virginia. Docket Number VGOB-98-0324-0626-04.

Owners of conflicting claims to coalbed methane have entered into a split agreement allowing for the disbursement of escrowed funds and direct payment of future revenues. Continued to May.

16. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payment of royalties on a portion of Tract 2, unit T-35, Garden District, Buchanan County, Virginia. Docket Number VGOB-98-0421-0695-02.

Owners of conflicting claims to coalbed methane have entered into a split agreement allowing for the disbursement of escrowed funds and direct payment of future revenues. Continued to May.

17. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payment of royalties on portions of Tracts 2A, 2G, 3B and 3C, unit T-36, Garden District, Buchanan County, Virginia. Docket Number VGOB-98-0324-0625-04.

Owners of conflicting claims to coalbed methane have entered into a split agreement allowing for the disbursement of escrowed funds and direct payment of future revenues. Continued to May.

18. The Virginia Gas and Oil Board heard a petition from CNX Gas Company, LLC for disbursement of funds from escrow and authorization for direct payment of royalties on a portion of Tract 1B, Unit U-36, Garden District, Buchanan County, Virginia. Docket Number VGOB-98-0421-0648-01.

Owners of conflicting claims to coalbed methane have entered into a split agreement allowing for the disbursement of escrowed funds and direct payment of future revenues. Continued to May.

19. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for a well location exception for proposed well V-536809, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-06-0418-1617.

The applicant seeks an exception in order to drill a conventional well closer to an existing well than allowed under statewide spacing. The proposed well is to be 323 feet closer to existing Equitable gas well V-536807 than the 2500 feet mandated by spacing. The exception is needed for topographic reasons and facilities constraints. An application for permit to drill the unit has been submitted. The location exception was approved.

20. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane gas unit VC-536560, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-06-0418-1618.

In the VC-536560 58.77-acre unit, the applicant controls 100% of the coal interests and 94.1% of the gas interests, and seeks to pool the remaining 5.9% of the gas interests. Unleased gas acreage totals 3.44 acres in two tracts having 16 unleased owners. There are conflicting claimants and unknown owners subject to escrow. No application for permit to drill the unit has been submitted. Pooling was approved.

21. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane gas unit VC-535864, Kenady District, Dickenson County, Virginia. Docket Number VGOB-06-0418-1619.

In the VC-535864 58.86-acre unit, the applicant controls 100% of the coal interests and 93.5% of the gas interests, and seeks to pool the remaining 6.5% of the gas interests. Unleased gas acreage totals 3.8 acres in one tract having 17 unleased owners. There are conflicting claimants subject to escrow. A permit to drill the unit was issued on 3/6/06. Pooling was approved.

22. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of coalbed methane gas unit VC-505205, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-06-0418-1620.

In the VC-505205 58.77-acre unit, the applicant controls 100% of the coal interests and 96.9% of the gas interests, and seeks to pool the remaining 3.1% of the gas interests. Unleased gas acreage totals 1.8 acres in one tract having one unleased owner. There are conflicting claimants and unknown owners subject to escrow. A permit to drill the unit was issued on 3/14/06. Pooling was approved.

23. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of conventional gas unit V-536718, Lipps District, Wise County, Virginia. Docket Number VGOB-06-0418-1621.

In the V-536718 112.69-acre conventional gas unit, the applicant controls 79.7% of the oil and gas interests, and seeks to pool the remaining 20.3% of the interests. Unleased acreage subject to pooling totals 22.9 net acres in one tract having one unleased owner. There are no unlocated owners subject to escrow. No permit application has been submitted. Pooling was approved.

24. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of conventional gas unit V-536395, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-06-0418-1622.

In the V-536395 112.69-acre conventional gas unit, the applicant controls 93.3% of the oil and gas interests, and seeks to pool the remaining 6.7% of the interests. Unleased acreage subject to pooling totals 7.6 net acres in four tracts with nine unleased owners. There are unlocated owners subject to escrow. No permit application has been submitted. Pooling was approved.

25. The Virginia Gas and Oil Board heard a petition from Equitable Production Company for pooling of conventional gas unit V-536888, Ervinton District, Dickenson County, Virginia. Docket Number VGOB-06-0418-1623.

In the V-536888 112.69-acre conventional gas unit, the applicant controls 87.9% of the oil and gas interests, and seeks to pool the remaining 12.1% of the interests. Unleased acreage subject to pooling totals 13.6 net acres in one tract with one unleased owner. There are no unlocated owners subject to escrow. A permit application has been submitted. Pooling was approved.

26. The Virginia Gas and Oil Board heard a petition from Chesapeake Appalachia, LLC for a well location exception for proposed well 825526, Rocklick District, Buchanan County, Virginia. Docket Number VGOB-06-0418-1624.

The applicant seeks an exception in order to drill a conventional well closer to an existing well than allowed under statewide spacing. The proposed well is to be 145 feet closer to proposed Chesapeake gas well 825525 than the 2500 feet mandated by spacing. The exception is needed to accommodate coal mining operations. No application for permit to drill the unit has been submitted. The location exception was approved.

27. The Virginia Gas and Oil Board heard a petition from Chesapeake Appalachia, LLC for pooling of conventional gas unit 825526, Rocklick District, Buchanan County, Virginia. Docket Number VGOB-06-0418-1625.

In the 825526 112.69-acre conventional gas unit, the applicant controls 80.0% of the oil and gas interests, and seeks to pool the remaining 20.0% of the interests. Unleased acreage subject to pooling totals 22.5 net acres in three tracts with seven unleased owner. There are no unlocated owners subject to escrow. No permit application has been submitted. Pooling was approved.

28. The Virginia Gas and Oil Board heard a petition from Chesapeake Appalachia, LLC for pooling of conventional gas unit 825525, Rocklick District, Buchanan County, Virginia. Docket Number VGOB-06-0418-1626.

In the 825525 112.69-acre conventional gas unit, the applicant controls 98.0% of the oil and gas interests, and seeks to pool the remaining 2.0% of the interests. Unleased acreage subject to pooling totals 2.2 net acres in one tract with one unleased owner. There are no unlocated owners subject to escrow. No permit application has been submitted. Pooling was approved.

The Virginia Gas and Oil Board heard public comment regarding Board matters immediately following the final docket item.

The deadline for filing of petitions to the Board for the May 2006 hearing is 5 p.m., Friday, April 14, 2006 with the hearing scheduled for 9 a.m. on Tuesday, May 16, 2006 at the Southwest Virginia Higher Education Center, Abingdon, Virginia.