**VIRGINIA DEPARTMENT OF ENERGY**
**BEFORE THE VIRGINIA GAS AND OIL BOARD**

| | | | |
|---|---|---|---|
| Applicant: | DIVERSIFIED PRODUCTION LLC | ) | |
| | | ) | **Division of Gas and Oil** |
| Relief Sought: | Pooling and Designation as Unit Operator | ) | |
| | | ) | Docket No. |
| Description: | Unit E-37 | ) | VGOB 25-1021-4323 |

## AMENDED APPLICATION

1. **Parties**: The Applicant is Diversified Production LLC ("Diversified"), 100 Diversified Way, P.O. Box 158, Pikeville, KY 41501. Applicant's counsel is Charity A. Barger, Esq., Street Law Firm, LLP, P.O. Box 2100, Grundy, VA.

2. **Relief sought**: Compulsory pooling of Unit E-37 in the Oakwood Coalbed Gas Field, designation of Diversified as Unit Operator of Unit E-37, and establishment of procedure for the calculation of production and revenue from short hole coalbed methane gas production, from unsealed coalbed methane gob gas production, from any other Well authorized by the Code of Virginia in an isolated long wall mining panel within the boundaries of Unit E-37, or other CBM well within the boundaries of Unit E-37. This will serve as notification that the relief requested herein will support Diversified's plan to generate revenue from the sale of coalbed methane gas and/or from the sale/monetization of environmental credits associated with one or more gob wells situated in isolated long wall mining panel(s) in whole or in part within the boundaries of Unit E-37.

   This Application is submitted without waiving, but instead preserving, all positions and arguments against, and bases for opposition to, Pocahontas Gas, LLC's pending, competing pooling application for this and all other objected-to drilling units, including but not limited to, that Diversified has already pooled all interest in CBM gas in Drilling Unit E-37, is the designated operator thereof, and is the operator of permitted and drilled coalbed methane Rogers 426 situated thereon.

   The Board's Orders in Docket Proceedings VGOB-91-1119-162 and VGOB 93-0216-0336 and VGOB 93-0316-0349, as amended, provide that Rogers 426, a "coalbed methane well[] heretofore permitted and drilled" is established as a "properly permitted well[]" in Unit E-37 for the production of short hole gas, unsealed gob gas and gas from Additional Wells". *See* Board Order ¶ 7(g), VGOB-91-1119-162; Board Order ¶ 7(e), VGOB 93- 0216-0336 & 93-0316-0349. Under the Board's Orders, and by statute, Diversified has pooled all interests in Unit E-37, is the unit operator of Unit E-37, is the permitted operator of Rogers 426 and, after the commencement of coal operations by the driving of entries and the completion of isolation of long wall panels in Unit E-37, will continue as the designated operator of Unit E-37, and will continue as the permitted well operator of Rogers 426 as a properly permitted well for the production of sealed gob gas. The Board's Orders therefore direct that Diversified is already the designated operator for gob gas production from Unit E-37. Accordingly, this Application is submitted in the alternative, preserving this specific position, and all others.

3. **Proposed provisions of Order**: Applicant requests that the Virgina Gas and Oil Board ("Board"): (a) pool all the rights and interests in and to the coalbed methane gas in the subject drilling unit; (b) establish a procedure whereby each gas owner who has not leased or sold his gas rights or entered into a voluntary agreement to share, may make elections; (c) provide any such gas owner who does not make a timely election to be deemed as have leased their coalbed methane gas interests to the Applicant at a rate established by this Board; (d) designate Diversified as Unit Operator; (e) make any necessary provision for the escrowing of funds; (f) and grant such further relief as this cause may require, whether or not specifically requested.

4. **Legal authority**: The relief sought by this Application is authorized by Virginia Code Annotated § 45.2-1600 *et seq.*; 4VAC25-160-10 *et seq*; and Virginia Gas and Oil Board Orders in Docket Proceedings OGCB 3-90; VGOB-91-1119-162; VGOB 93-0216-0336 and VGOB 93-0316-0349; and VGOB 93-0316-0348.

5. **Type of Wells**: Allocable frac well gas, short hole well gas, unsealed gob well gas, and gas from any other well located in a long wall panel.

6. **Plat**: *See* Plat and Identification Tract attached hereto as Exhibit A. Per 4VAC25-160-40, the Plat is certified by Richard L. Bailey, a licensed land surveyor.

7. **Permit Number(s)**: Not applicable.

8. **Description of the Status of Interest to be Pooled**: Applicant seeks to pool the interests of: Tazewell Coal and Gas Company, LLC; Pocahontas Gas, LLC; Franklin D. Cole; Karen Hill Gough, Jeffrey Hill; Virginia Mae Cole Rooser; Donna Cole; Pamela Cole; Paul Quincy Cole; Jack Cole; Robert J. Mullins; Tammy Cole Payne Viers; Tony Cole. Respondents' interests are set out more fully in Exhibit B-3.

9. **Percentage of Total Interest Held by Applicant**: 73.733%

10. **Description of the Formation or Formations to be Produced**: All the coal seams and associated strata below the Tiller seam of coal including the Upper Seaboard, Greasy Creek, Middle Seaboard, Lower Seaboard, Upper Horsepen, Middle Horsepen, War Creek, Lower Horsepen" seams, the Pocahontas No. 9, 8, 7, 6, 5, 4, 3, 2 seams, and various unnamed seams and all zones in communication therewith and all productive extensions thereof.

11. **Estimate of Total Production**: The estimated total production from the subject drilling unit is **125 to 550** MMCF; and the estimated amount of reserves from the subject drilling unit is **125 to 550** MMCF.

12. **An Estimate of the Allowable Costs**: 19 East Panel Total Estimate of the Allowable Cost = $1,049,302.09 (DEC = $773,676.66 and Other = $275,625.43), Estimated Well Costs = 715,677.00; 20 East Panel Total Estimate of Allowable Cost = $2,443,675.89 (DEC = $1,801,783.33 and Other = $641,892.56), Estimated Well Costs = $707,985.00.

13. **Attestation**: The foregoing application to the best of my knowledge, information, and belief is true and correct.

Dated this 20th day of March, 2026.

DIVERSIFIED PRODUCTION LLC

By: ______________________

Charity A. Barger, Esq. (VSB: 93380)
STREET LAW FIRM, LLP
1142 Riverview Street
P.O. Box 2100
Grundy, VA 24614
Telephone: (276) 935-2128
Facsimile:: (276) 935-4162
cab@streetlawfirm.com

**VIRGINIA DEPARTMENT OF ENERGY**
**BEFORE THE VIRGINIA GAS AND OIL BOARD**

| | | |
|---|---|---|
| Applicant: | DIVERSIFIED PRODUCTION LLC | ) |
| | | ) **Division of Gas and Oil** |
| Relief Sought: | Pooling | ) |
| | | ) Docket No. |
| Description: | Unit E37 | ) VGOB 25-1021-4323 |

To: *Tazewell Coal and Gas Company, LLC; Pocahontas Gas, LLC; Franklin D. Cole; Karen Hill Gough, Jeffrey Hill; Virginia Mae Cole Rooser; Donna Cole; Pamela Cole; Paul Quincy Cole; Jack Cole; Robert J. Mullins; Tammy Cole Payne Viers; Tony Cole.*

## NOTICE OF HEARING

Hearing Date: April 21, 2026

Place: Virginia Department of Energy
3405 Mountain Empire Road
Big Stone Gap, VA 24219
Or Via Telephone Conference

Time: 10:00 A.M.

1. **Parties**: The Applicant is Diversified Production LLC, 100 Diversified Way, P.O. Box 158, Pikeville, KY 41501. Applicant's counsel is Charity A. Barger, Esq., Street Law Firm, LLP, P.O. Box 2100, Grundy, VA.

2. **Relief sought**: Compulsory pooling of Unit E-37 in the Oakwood Coalbed Gas Field, designation of Diversified as Unit Operator of Unit E-37, and establishment of procedure for the calculation of production and revenue from short hole coalbed methane gas production, from unsealed coalbed methane gob gas production, from any other Well authorized by the Code of Virginia in an isolated long wall mining panel within the boundaries of Unit E-37, or other CBM well within the boundaries of Unit E-37. This will serve as notification that the relief requested herein will support Diversified's plan to generate revenue from the sale of coalbed methane gas and/or from the sale/monetization of environmental credits associated with one or more gob wells situated in isolated long wall mining panel(s) in whole or in part within the boundaries of Unit E-37.

   This Application is submitted without waiving, but instead preserving, all positions and arguments against, and bases for opposition to, Pocahontas

Gas, LLC's pending, competing pooling application for this and all other objected-to drilling units, including but not limited to, that Diversified has already pooled all interest in CBM gas in Drilling Unit E-37, is the designated operator thereof, and is the operator of permitted and drilled coalbed methane Rogers 426 situated thereon.

The Board's Orders in Docket Proceedings VGOB-91-1119-162 and VGOB 93-0216-0336 and VGOB 93-0316-0349, as amended, provide that Rogers 426, a "coalbed methane wells[] heretofore permitted and drilled" is established as a "properly permitted well[]" in Unit E-37 for the production of short hole gas, unsealed gob gas and gas from Additional Wells". *See* Board Order ¶ 7(g), VGOB-91-1119-162; Board Order ¶ 7(e), VGOB 93-0216-0336 & 93-0316-0349. Under the Board's Orders, and by statute, Diversified has pooled all interests in Unit E-37, is the unit operator of Unit E-37, is the permitted operator of Rogers 426 and, after the commencement of coal operations by the driving of entries and the completion of isolation of long wall panels in Unit E-37, will continue as the designated operator of Unit E-37, and will continue as the permitted well operator of Rogers 426 as a properly permitted well for the production of sealed gob gas. The Board's Orders therefore direct that Diversified is already the designated operator for gob gas production from Unit E-37. Accordingly, this Application is submitted in the alternative, preserving this specific position, and all others.

3. **<u>Proposed provisions of Order</u>**: Applicant requests that the Virgina Gas and Oil Board ("Board"): (a) pool all the rights and interests in and to the coalbed methane gas in the subject drilling unit; (b) establish a procedure whereby each gas owner who has not leased or sold his gas rights or entered into a voluntary agreement to share, may make elections; (c) provide any such gas owner who does not make a timely election to be deemed as have leased their coalbed methane gas interests to the Applicant at a rate established by this Board; (d) designate Diversified as Unit Operator; (e) make any necessary provision for the escrowing of funds; (f) and grant such further relief as this cause may require, whether or not specifically requested.

4. **<u>Legal authority</u>**: The relief sought by this Application is authorized by Virginia Code Annotated § 45.2-1600 et seq.; 4VAC25-160-10 et seq; and Virginia Gas and Oil Board Orders in Docket Proceedings OGCB 3-90; VGOB-91-1119-162; VGOB 93-0216-0336 and VGOB 93-0316-0349; and VGOB 93-0316-0348.

5. **Type of Wells**: Allocable frac well gas, short hole well gas, unsealed gob well gas, and gas from any other well located in a long wall panel.

6. **Plat**: *See* Plat and Identification Tract attached hereto as Exhibit A. Per 4VAC25-160-40, the Plat is certified by Richard L. Bailey, a licensed land surveyor.

7. **Respondent's Interest**: You are hereby notified based on your rights, interests, and estates in and to the coalbed methane gas within the subject drilling unit as outlined in Exhibit A.

8. **Description of the Status of Interest to be Pooled**: Applicant seeks to pool the interests of: Tazewell Coal and Gas Company, LLC; Pocahontas Gas, LLC; Franklin D. Cole; Karen Hill Gough, Jeffrey Hill; Virginia Mae Cole Rooser; Donna Cole; Pamela Cole; Paul Quincy Cole; Jack Cole; Robert J. Mullins; Tammy Cole Payne Viers; Tony Cole. Respondents' interests are set out more fully in Exhibit B-3.

9. **Percentage of Total Interest Held by Applicant**: 73.733%

10. **Description of the Formation or Formations to be Produced**: All the coal seams and associated strata below the Tiller seam of coal including the Upper Seaboard, Greasy Creek, Middle Seaboard, Lower Seaboard, Upper Horsepen, Middle Horsepen, War Creek, Lower Horsepen" seams, the Pocahontas No. 9, 8, 7, 6, 5, 4, 3, 2 seams, and various unnamed seams and all zones in communication therewith and all productive extensions thereof.

11. **Estimate of Total Production**: The estimated total production from the subject drilling unit is **125 to 550** MMCF; and the estimated amount of reserves from the subject drilling unit is **125 to 550** MMCF.

12. **An Estimate of the Allowable Costs**: 19 East Panel Total Estimate of the Allowable Cost = $1,049,302.09 (DEC = $773,676.66 and Other = $275,625.43), Estimated Well Costs = 715,677.00; 20 East Panel Total Estimate of Allowable Cost = $2,443,675.89 (DEC = $1,801,783.33 and Other = $641,892.56), Estimated Well Costs = $707,985.00.

13. **Attestation**: The foregoing application to the best of my knowledge, information, and belief is true and correct.

NOTICE IS HEREBY GIVEN that Diversified Production LLC, 100 Diversified Way, P.O. Box 3878, Pikeville, KY 41502 is requesting that the Virginia Gas and Oil Board (the "Board") issue an order pooling all interests in Unit F-36 and to name it as Unit Operator.

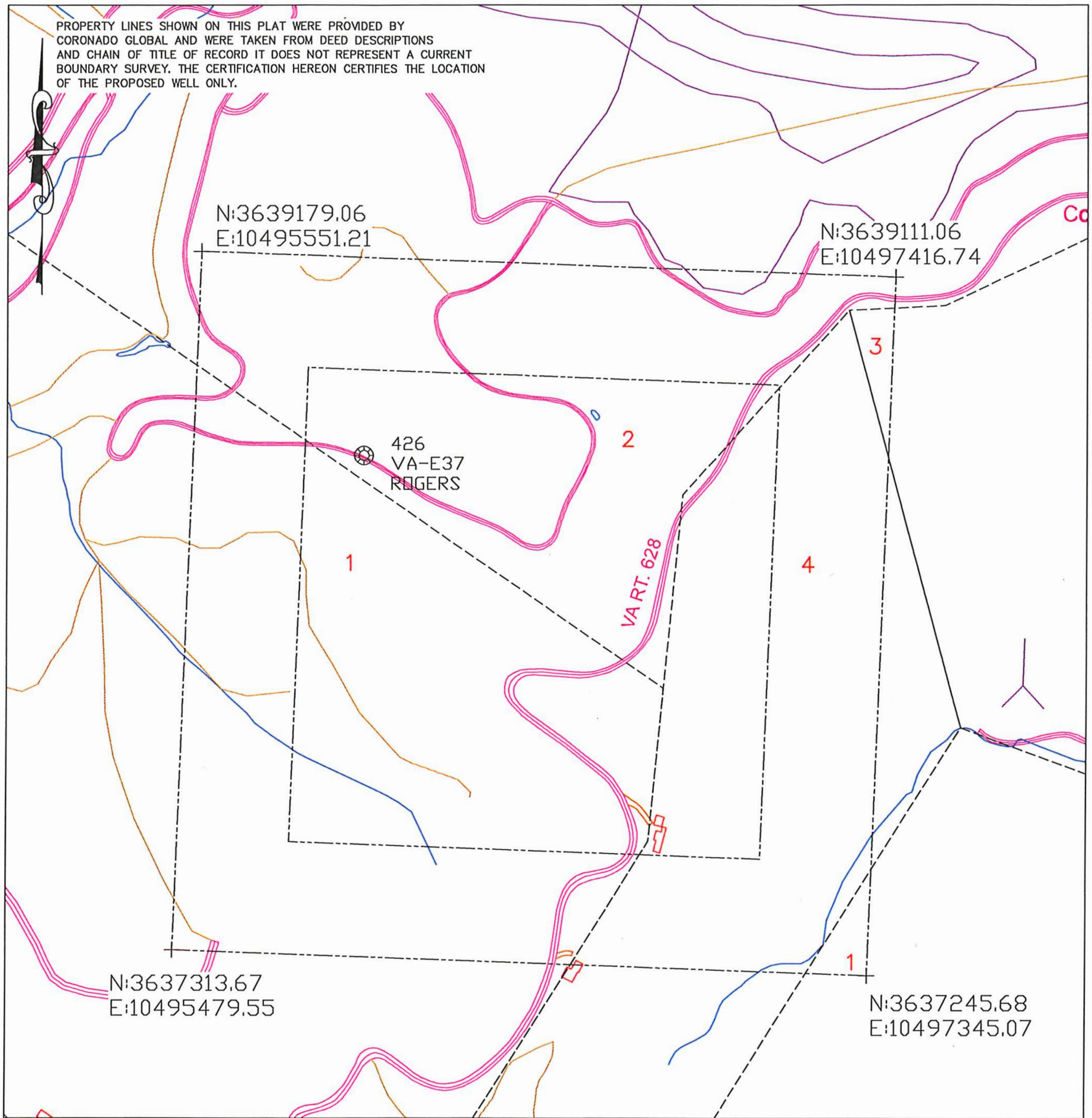
NOTICE IS FURTHER GIVEN that this cause has been set for hearing and the taking of evidence before the Board at 10:00 a.m. on April 21, 2026, at the Virginia Energy Office, 3405 Mountain Empire Road, Big Stone Gap, Virgina 24219, and that notice will be published as required by law and the Rules of the Board. All interested persons may attend this hearing, with or without and attorney, and offer evidence or state any comments you may have. For further information, contact the Virginia Gas and Oil Board, State Gas and Oil Inspector, Department of Mines, Minerals, and Energy, Division of Oil and Gas, 3405 Mountain Empire Road, Big Stone Gap, VA 24219, Phone: 276-415-9700, or the applicant at the address shown above.

Dated this 20th day of March, 2026.

DIVERSIFIED PRODUCTION LLC

By: ______________________

Charity A. Barger, Esq. (VSB: 93380)
STREET LAW FIRM, LLP
1142 Riverview Street
P.O. Box 2100
Grundy, VA 24614
Telephone: (276) 935-2128
Facsimile:: (276) 935-4162
cab@streetlawfirm.com




ACTIVE CBM WELL
PLUGGED/ABANDONED CBM WELL
PROPOSED CBM WELL

EXHIBIT A OAKWOOD FIELD UNIT E 37
FORCE POOLING VGOB 25–1021–4323

Company DIVERSIFIED PRODUCTION LLC Well Name or Number UNIT E 37

Tract No. ______ Company ______ Scale: 1" = 400'

County BUCHANAN District GARDEN Quadrangle PATTERSON Date 03–13–2026

This plat is a new plat X ; an updated plat ______ ; or a final plat ______

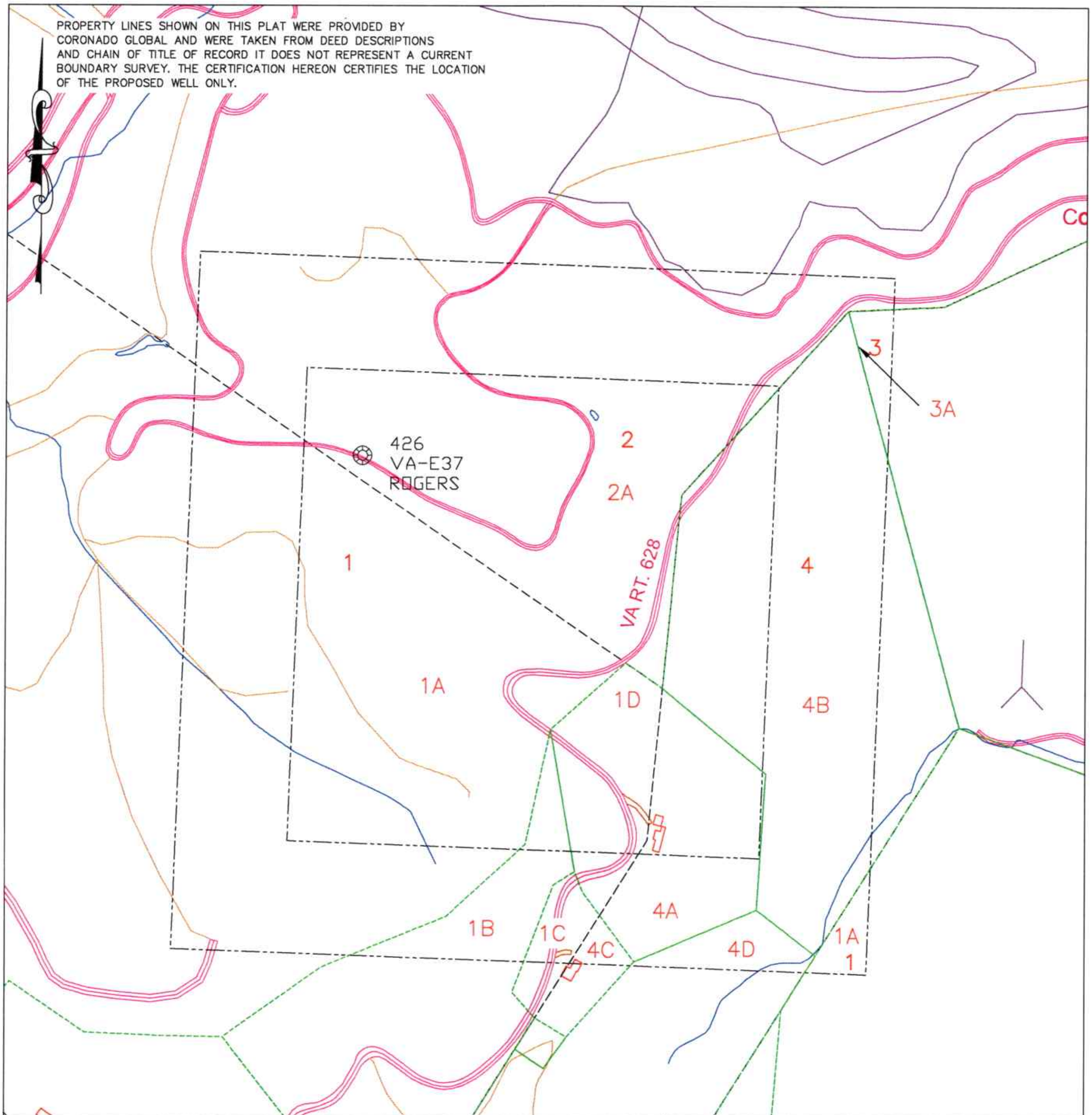
Richard L Bailey

Digitally signed by Richard L Bailey
DN: c=US, o=Unaffiliated, dnQualifier=A01410D00000194F732C2B3000271C5, cn=Richard L Bailey
Date: 2026.03.13 14:03:55 -04'00'

Form DGO–GO–7
Rev. 9/91

Licensed Professional Engineer or Licensed Land Surveyor

COMMONWEALTH OF VIRGINIA
RICHARD L. BAILEY
License No. 002214
SEAL
LAND SURVEYOR




ACTIVE CBM WELL
PLUGGED/ABANDONED CBM WELL
PROPOSED CBM WELL

EXHIBIT A OAKWOOD FIELD UNIT E 37
FORCE POOLING VGOB 25-1021-4323

Company DIVERSIFIED PRODUCTION LLC Well Name or Number UNIT E 37

Tract No. Company Scale: 1" = 400'

County BUCHANAN District GARDEN Quadrangle PATTERSON Date 03-13-2026

This plat is a new plat X ; an updated plat ; or a final plat

Richard L Bailey

Digitally signed by Richard L Bailey
DN: c=US, o=Unaffiliated, dnQualifier=A01410D00000194F732C2B3000271C5, cn=Richard L Bailey
Date: 2026.03.13 15:14:22 -04'00'

Form DGO-GO-7
Rev. 9/91

Licensed Professional Engineer or Licensed Land Surveyor

COMMONWEALTH OF VIRGINIA
RICHARD L. BAILEY
License No. 002214
SEAL
LAND SURVEYOR

Diversified Production LLC

UNIT E37

Tract Identifications

1. Buchanan Energy Company LLC (1232-acre tract; Tract 70) – All Coal, Gas, Oil, CBM and Mineral

    Diversified Production LLC - Oil, Gas and CBM leased
    Southwest Virginia Mining Company, LLC – Coal Underlying Jawbone, Red Ash and War Creek seams
    Island Creek Coal Company, LLC– Coal Underlying the Tiller Seam Leased
    Buchanan Mining Company LLC – P3 Seam Subleased from Island Creek
    33.648 Acres 42.060%

| | |
|---|---|
| 1A. (excluding Tr. 1B – 1D) | Buchanan Energy Company - Surface |
| 1B. (21.70-acre tract) | Luther and Ola Davis - Surface |
| 1C. (2.5-acre tract) | Jason Day - Surface |
| 1D. (6.23-acre tract) | Hazel Marie Kelly - Surface |

2. Buchanan Energy Company LLC (1305.36-acre tract; Tract 68) – All Coal, Gas, Oil, CBM, Mineral and Surface

    Diversified Production LLC - Oil, Gas and CBM leased
    Southwest Virginia Mining Company, LLC – Coal Underlying Jawbone, Red Ash and War Creek seams
    Island Creek Coal Company, LLC– Coal Underlying the Tiller Seam Leased
    Buchanan Mining Company LLC – P3 Seam Subleased from Island Creek
    25.338 Acres 31.673%

    2A. Buchanan Energy Company - Surface

3. Tazewell Coal & Gas (120-acre tract) – All Coal, Gas, Oil, CBM and Mineral

    Pocahontas Gas Partnership - CBM leased
    Buchanan Mining/Coronado IV LLC – Coal leased
    0.555 acres 0.694%

| | |
|---|---|
| 3A. (38.85-acre tract) | Nancy J. Cole, et al – Surface |

4. N. J. Cole Heirs (29.7-acre tract) – All Coal, Gas, Oil, CBM and Mineral

    CNX Gas Company – Leased Oil, Gas and CBM

Diversified ABS, LLC – Leased Oil and Gas
Buchanan Mining Company, LLC – Coal Leased
20.459 Acres 25.574%

4A. Hazel Marie Kelly - Surface
4B. Lester Guthrie Jessup – Surface
4C. Jason Day – Surface
4D. Luther and Ola Davis - Surface

**CERTIFICATION**

On this 17th day of March, 2026, I hereby certify that the acreages and the percentage of the acreages in each tract in Unit E37 as outlined above, and in the Plat attached as Exhibit A, are correct and accurate. These values were calculated with reference to the boundaries of the tracts shown on said Plat.

COMMONWEALTH OF VIRGINIA
RICHARD L. BAILEY
LICENSE NO.
2214
LAND SURVEYOR

Richard L. Bailey

**Exhibit B**
**All Parties in the Unit**
**Tract Identification/Ownership Within Unit**
**VGOB Docket No. 25-1021-4323**
**Unit E37**

## GAS ESTATE

| Tract | Ownership | Acres In Unit | Percent of Interest in Unit | 19 Panel Interest 10.1% | 20 Panel Interest 14.64% |
|---|---|---|---|---|---|
| Tract 1 1232.67 Acres (Tract 70) | Buchanan Energy Company, LLC<br>520 Forsythe Road<br>Suite 102<br>Bristol, VA 24202 | 33.648 | 42.060% | 4.2606% | 6.1575% |
| Tract 2 1305.36 Acres (Tract 68) | Buchanan Energy Company, LLC<br>520 Forsythe Road<br>Suite 102<br>Bristol, VA 24202 | 25.338 | 31.673% | 3.2084% | 4.6368% |
| Tract 3 120 Acres | Tazewell Coal and Gas Company, LLC<br>P.O. Box 675<br>Tazewell, VA 24651 | 0.55500 | 0.694% | 0.0703% | 0.1016% |
| Tract 4 29.70 Acres | N. J. Cole Heirs | 20.45900 | 25.574% | 2.5906% | 3.7440% |
| | (1) Boyd Cole Heirs (1/2 ) | 10.22950 | 12.7869% | 1.2953% | 1.8720% |
| | (a) Franklin D. Cole (1/8)<br>203 Autumn Oaks Drive<br>Kodak, TN 37764 | 2.55738 | 3.1967% | 0.3238% | 0.4680% |
| | (b) Dorothy D. Cole Hill Heirs (1/8) | 2.55738 | 3.1967% | 0.3238% | 0.4680% |
| | (b1) Karen Hill Gough (1/16)<br>10200 Lonesome Rd.<br>Nokesville, VA 20181 | 1.27869 | 1.5984% | 0.1619% | 0.2340% |
| | (b2) Jeffrey Hill (1/16)<br>16 Hidden Lake Dr.<br>Stafford, VA 22556 | 1.27869 | 1.5984% | 0.1619% | 0.2340% |
| | (c) Virginia Mae Cole Rosser (1/8)<br>4721 Spring Garden Road<br>Chatham, VA 24531 | 2.55738 | 3.1967% | 0.3238% | 0.4680% |
| | (d) Gaynelle Cole Heirs (1/8) | 2.55738 | 3.1967% | 0.3238% | 0.4680% |
| | (d1) Donna Cole (1/16)<br>1206 Erie Lane<br>Elizabethton, TN 37643 | 1.27869 | 1.5984% | 0.1619% | 0.2340% |
| | (d2) Pamela Cole (1/16)<br>26 Douglas Rd.<br>Chappaqua, NY 10514 | 1.27869 | 1.5984% | 0.1619% | 0.2340% |
| | (2) Leck Cole Heirs (1/2 interest) | 10.22950 | 12.7869% | 1.2953% | 1.8720% |
| | (a) Paul Quincy Cole (1/10)<br>1011 Highway Drive<br>Pilgrims Knob, VA 24634 | 2.04590 | 2.5574% | 0.2591% | 0.3744% |
| | (b) Jack Cole (1/10) | 2.04590 | 2.5574% | 0.2591% | 0.3744% |

| | | | | | |
|---|---|---|---|---|---|
| | 19663 Park Ridge Dr.<br>Abingdon, VA 24211 | | | | |
| (c) | Dot Mullins Heirs (1/10) | 2.04590 | 2.5574% | 0.2591% | 0.3744% |
| | (c1) Robert J. Mullins (1/10)<br>1719 Spruce Pine Road<br>Pilgrims Knob, VA 24634 | 2.04590 | 2.5574% | 0.2591% | 0.3744% |
| (d) | George Kendrick Read Heirs (1/10) | 2.04590 | 2.5574% | 0.2591% | 0.3744% |
| | (d1) Tammy Cole Payne Viers (1/10)<br>1045 Whitt Branch Road<br>Rowe, VA 24646 | 2.04590 | 2.5574% | 0.2591% | 0.3744% |
| (e) | Charles Cole Heirs (1/10) | 2.04590 | 2.5574% | 0.2591% | 0.3744% |
| | (e1) Tony Cole (1/10)<br>2029 Left Fork Road<br>Pilgrims Knob, VA<br>24634 | 2.04590 | 2.5574% | 0.2591% | 0.3744% |

**Percentage of Unit Leased by Applicant – Gas = 73.733%**

**Acreage Leased by Applicant – Gas = 58.986**

## COAL ESTATE

| Tract | Ownership | Acres In Unit | Percent of Interest in Unit |
|---|---|---|---|
| Tract 1<br>1232.67 Acres<br>(Tract 70) | Buchanan Energy Company, LLC<br>520 Forsythe Road<br>Suite 102<br>Bristol, VA 24202 | 33.648 | 42.060% |
| Tract 2<br>1305.36 Acres<br>(Tract 68) | Buchanan Energy Company, LLC<br>520 Forsythe Road<br>Suite 102<br>Bristol, VA 24202 | 25.338 | 31.673% |
| Tract 3<br>120 Acres | Tazewell Coal and Gas Company, LLC<br>P.O. Box 675<br>Tazewell, VA 24651 | 0.55500 | 0.694% |
| Tract 4<br>29.70 Acres | N. J. Cole Heirs | 20.45900 | 25.574% |
| | (1) Boyd Cole Heirs (1/2) | 10.22950 | 12.7869% |
| | (a) Franklin D. Cole (1/8)<br>203 Autumn Oaks Drive<br>Kodak, TN 37764 | 2.55738 | 3.1967% |

**Exhibit B**
**All Parties in the Unit**
**Tract Identification/Ownership Within Unit**
**VGOB Docket No. 25-1021-4323**
**Unit E37**

| | | |
|---|---|---|
| (b) Dorothy D. Cole Hill Heirs (1/8) | 2.55738 | 3.1967% |
| (b1) Karen Hill Gough (1/16)<br>10200 Lonesome Rd.<br>Nokesville, VA 20181 | 1.27869 | 1.5984% |
| (b2) Jeffrey Hill (1/16)<br>16 Hidden Lake Dr.<br>Stafford, VA 22556 | 1.27869 | 1.5984% |
| (c) Virginia Mae Cole Rosser (1/8)<br>4721 Spring Garden Road<br>Chatham, VA 24531 | 2.55738 | 3.1967% |
| (d) Gaynelle Cole Heirs (1/8) | 2.55738 | 3.1967% |
| (d1) Donna Cole (1/16)<br>1206 Erie Lane<br>Elizabethton, TN 37643 | 1.27869 | 1.5984% |
| (d2) Pamela Cole (1/16)<br>26 Douglas Rd.<br>Chappaqua, NY 10514 | 1.27869 | 1.5984% |
| (2) Leck Cole Heirs (1/2) | 10.22950 | 12.7869% |
| (a) Paul Quincy Cole (1/10)<br>1011 Highway Drive<br>Pilgrims Knob, VA 24634 | 2.04590 | 2.5574% |
| (b) Jack Cole (1/10)<br>19663 Park Ridge Dr.<br>Abingdon, VA 24211 | 2.04590 | 2.5574% |
| (c) Dot Mullins Heirs (1/10) | 2.04590 | 2.5574% |
| (c1) Robert J. Mullins (1/10)<br>1719 Spruce Pine Road<br>Pilgrims Knob, VA 24634 | 2.04590 | 2.5574% |
| (d) George Kendrick Read Heirs (1/10) | 2.04590 | 2.5574% |
| (d1) Tammy Cole Payne Viers (1/10)<br>1045 Whitt Branch Road<br>Rowe, VA 24646 | 2.04590 | 2.5574% |
| (e) Charles Cole Heirs (1/10) | 2.04590 | 2.5574% |
| (e1) Tony Cole (1/10)<br>2029 Left Fork Road<br>Pilgrims Knob, VA 24634 | 2.04590 | 2.5574% |

**Exhibit B-3**
**Unleased Parties in the Unit**
**Parties Who Have Not Reached Agreement with Operator**
**VGOB Docket No. 25-1021-4323**
**Unit E37**

## GAS ESTATE

| Tract | Ownership | Acres In Unit | Percent of Interest in Unit | 19 Panel Interest 10.1% | 20 Panel Interest 14.64% |
|---|---|---|---|---|---|
| Tract 3 120 Acres | Tazewell Coal and Gas Company, LLC<br>P.O. Box 675<br>Tazewell, VA 24651 | 0.55500 | 0.694% | 0.0703% | 0.1016% |
| Tract 4 29.70 Acres | N. J. Cole Heirs | 20.45900 | 25.574% | 2.5906% | 3.7440% |
| | (1) Boyd Cole Heirs (1/2 ) | 10.22950 | 12.7869% | 1.2953% | 1.8720% |
| | (a) Franklin D. Cole (1/8)<br>203 Autumn Oaks Drive<br>Kodak, TN 37764 | 2.55738 | 3.1967% | 0.3238% | 0.4680% |
| | (b) Dorothy D. Cole Hill Heirs (1/8) | 2.55738 | 3.1967% | 0.3238% | 0.4680% |
| | (b1) Karen Hill Gough (1/16)<br>10200 Lonesome Rd.<br>Nokesville, VA 20181 | 1.27869 | 1.5984% | 0.1619% | 0.2340% |
| | (b2) Jeffrey Hill (1/16)<br>16 Hidden Lake Dr.<br>Stafford, VA 22556 | 1.27869 | 1.5984% | 0.1619% | 0.2340% |
| | (c) Virginia Mae Cole Rosser (1/8)<br>4721 Spring Garden Road<br>Chatham, VA 24531 | 2.55738 | 3.1967% | 0.3238% | 0.4680% |
| | (d) Gaynelle Cole Heirs (1/8) | 2.55738 | 3.1967% | 0.3238% | 0.4680% |
| | (d1) Donna Cole (1/16)<br>1206 Erie Lane<br>Elizabethton, TN 37643 | 1.27869 | 1.5984% | 0.1619% | 0.2340% |
| | (d2) Pamela Cole (1/16)<br>26 Douglas Rd.<br>Chappaqua, NY 10514 | 1.27869 | 1.5984% | 0.1619% | 0.2340% |
| | (2) Leck Cole Heirs (1/2 interest) | 10.22950 | 12.7869% | 1.2953% | 1.8720% |
| | (a) Paul Quincy Cole (1/10)<br>1011 Highway Drive<br>Pilgrims Knob, VA 24634 | 2.04590 | 2.5574% | 0.2591% | 0.3744% |
| | (b) Jack Cole (1/10)<br>19663 Park Ridge Dr.<br>Abingdon, VA 24211 | 2.04590 | 2.5574% | 0.2591% | 0.3744% |
| | (c) Dot Mullins Heirs (1/10) | 2.04590 | 2.5574% | 0.2591% | 0.3744% |
| | (c1) Robert J. Mullins (1/10)<br>1719 Spruce Pine Road<br>Pilgrims Knob, VA 24634 | 2.04590 | 2.5574% | 0.2591% | 0.3744% |
| | (d) George Kendrick Read Heirs (1/10) | 2.04590 | 2.5574% | 0.2591% | 0.3744% |
| | (d1) Tammy Cole Payne Viers (1/10)<br>1045 Whitt Branch Road<br>Rowe, VA 24646 | 2.04590 | 2.5574% | 0.2591% | 0.3744% |
| | (e) Charles Cole Heirs (1/10) | 2.04590 | 2.5574% | 0.2591% | 0.3744% |

**Exhibit B-3**
**Unleased Parties in the Unit**
**Parties Who Have Not Reached Agreement with Operator**
**VGOB Docket No. 25-1021-4323**
**Unit E37**

| | | | | |
|---|---|---|---|---|
| (e1) Tony Cole (1/10)<br>2029 Left Fork Road<br>Pilgrims Knob, VA<br>24634 | 2.04590 | 2.5574% | 0.2591% | 0.3744% |

**Percentage of Unit Unleased by Applicant – Gas = 26.268%**

**Acreage Unleased by Applicant – Gas = 21.014**

**Company: Diversified Production LLC**___________________________

**Virginia Department of Energy Gas and Oil Program Template -- Estimate Authorization For Expenditure (AFE)**

| | | |
|---|---|---|
| **AFE # N/A** | **Property #** N/A | **Version #** |
| **Well Name: E 37 Unit** | **Field: Oakwood** | **Completed By: RRS** |
| **Location: Buchanan County** | **Operator: Diversified Production LLC** | **Date: 9/19/2025** |
| **Expected Pay Zones:** Coal Seams below Tiller incl.Poca 3 | **Estimated Total Depth:** 1,809 ft | **AAPG Class:** CBM |
| **Proposed Work:** To Drill and Produce | **Participant(s): N/A** **W.I.** | **Amount** |
| | | $707,985 |

INTANGIBLES

| Gen | Sub | Description | Casing Point | Completion | Total Cost |
|---|---|---|---|---|---|
| | | Leasehold Costs | $939 | $0 | $939 |
| | | Permit / Title Opinion / Survey / Insurance | $4,883 | $0 | $4,883 |
| | | Building Location | $65,737 | $0 | $65,737 |
| | | Roads / Stone / Culverts | $0.000 | $0 | $0 |
| | | Surface Damages | $0 | $0 | $0 |
| | | Drilling - Contract | $402,083 | $0 | $402,083 |
| | | Drilling - Mobilization | $0 | $0 | $0 |
| | | Drilling - Dayrate | $0 | $0 | $0 |
| | | Mud & Chemicals (Drilling) | $0 | $0 | $0 |
| | | Fuel | $0 | $0 | $0 |
| | | Cement Casing | $0 | $50,328.752 | $50,329 |
| | | Cement Intermediate casing | $0 | $0 | $0 |
| | | Open Hole Logging & Testing | $4,508 | $0 | $4,508 |
| | | Trucking / Dozer (Drilling) | $0 | $0 | $0 |
| | | Rental Tools & Equipment (Drilling) | $0 | $0 | $0 |
| | | Drilling - Bits | $0 | $0 | $0 |
| | | Technical Supervision (Drilling) | $0 | $0 | $0 |
| | | Fresh Water Hauling (Drilling) | $0 | $0 | $0 |
| | | Overhead Rate | $0 | $0 | $0 |
| | | Misc. & Contingincies | $0 | $0 | $0 |
| | | Location Rds/Stone/Culverts | $0 | $0 | $0 |
| | | Trucking / Dozer (Completion) | $0 | $0 | $0 |
| | | Technical Supervision (Completion) | $0 | $0 | $0 |
| | | Cased Hole Logging / Perforating | $0 | $0 | $0 |
| | | Stimulation / Fracturing | $0 | $0 | $0 |
| | | Completion Rig | $0 | $0 | $0 |
| | | Reclaimation & Damages | $0 | $0 | $0 |
| | | Haul Pit Water / Disposal | $0 | $0 | $0 |
| | | Cement Production Casing | $0 | $0 | $0 |
| | | Rental Tools & Equipment (Completion) | $0 | $0 | $0 |
| | | Fresh Water Hauling (Completion) | $0 | $0 | $0 |
| | | Roustabout Labor | $0 | $3,005 | $3,005 |
| | | **TOTAL INTANGIBLES** | **$478,150** | **$53,334** | **$531,484** |

TANGIBLES

| Code | Code | Description | Casing Point | Completion | Total Cost |
|---|---|---|---|---|---|
| | | Well Casing | $0 | $121,003 | $121,003 |
| | | _____" 26 lb/ft LS Surface Csg | $0 | $0 | $0 |
| | | _____" 19 lb/ft LS Intermediate Csg | $0 | $0 | $0 |
| | | 4½" 9.5 lb/ft M-65 Production Csg | $0 | $0 | $0 |
| | | 4½" 10.5 lb/ft M-65 Production Csg | $0 | $0 | $0 |
| | | 2-3/8 " 4.7 lb/ft J55 8rd Production Tubing | $0 | $0 | $0 |
| | | Wellhead Equipment / Fittings | $0 | $10,006 | $10,006 |
| | | Tank Battery | $0 | $0 | $0 |
| | | Separator / Heater / Treater | $0 | $0 | $0 |
| | | Electrical | $0 | $16,797 | $16,992 |
| | | Rods / Stuffing Box | $0 | $0 | $0 |
| | | Downhole Pump | $0 | $0 | $0 |
| | | Pumping Unit / Motor | $0 | $0 | $0 |
| | | SS EQT-Packer,PF,FC,Nip | $0 | $0 | $0 |
| | | Valves & Fittings | $0 | $0 | $0 |
| | | Flow Line labor/material | $0 | $0 | $0 |
| | | Sales line labor/mat/row | $0 | $28,173 | $28,500 |
| | | **TOTAL TANGIBLES** | $0 | $175,979 | **$0** |
| | | **GRAND TOTAL WELL COST** | **$478,150** | **$405,292** | **$707,985** |
| 000 | 000 | Plugging & Abandonment | **$50,021** | | |
| **000** | | | **$707,985** | **Dry Hole Costs :** | **$528,172** |

Operations Travis Cooke Date 9/19/25 Date________

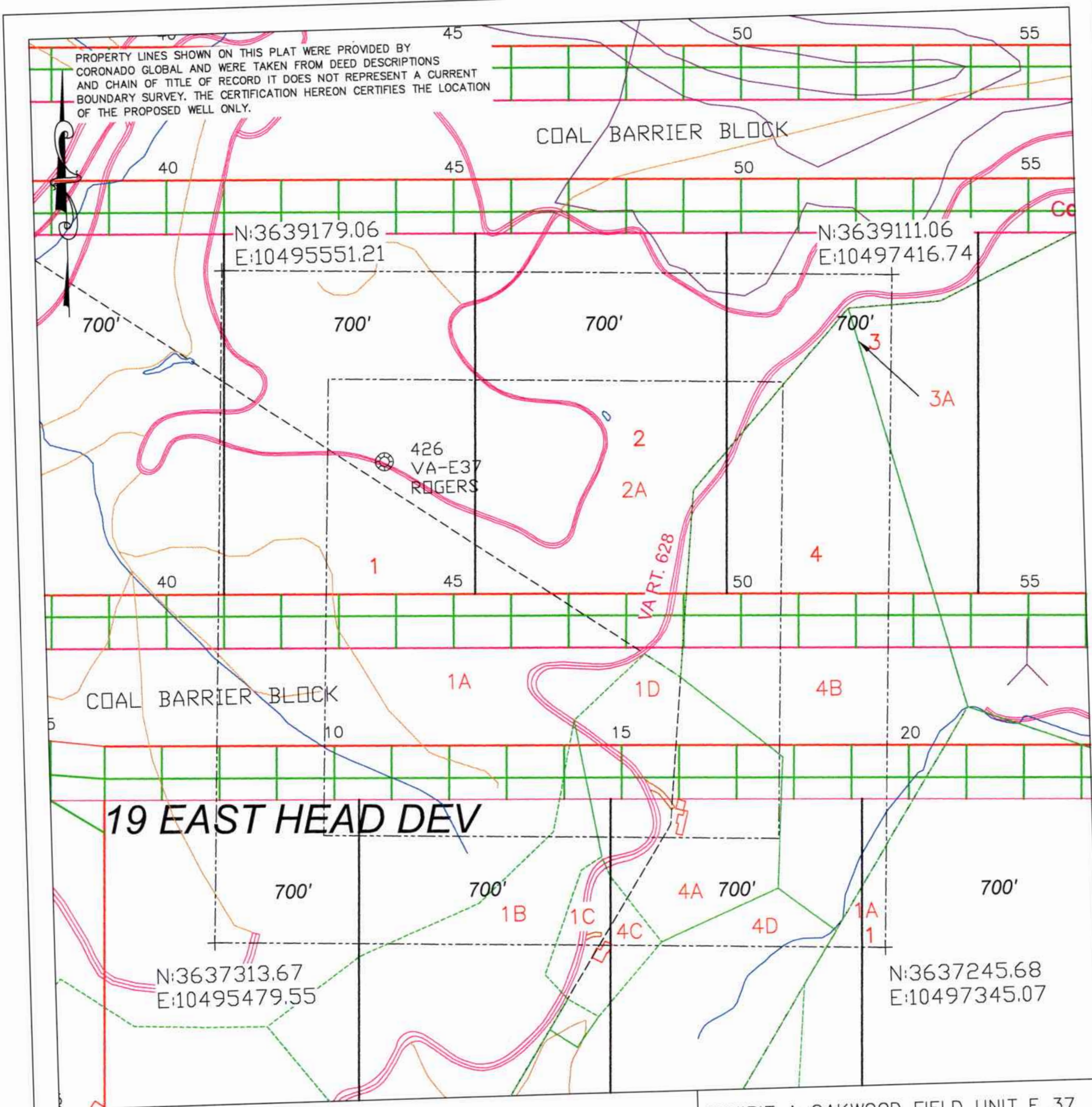
Engineering ______________________ Date ______________________ Date________

| | | | |
|---|---|---|---|
| Management Approval | Approved by:______________________ | Title ______________________ | Date________ |
| Management Approval | Approved by:______________________ | Title ______________________ | Date________ |

As a consequence of ongoing discussions, the responsibility of plugging costs may be assumed by Buchanan Minerals, LLC.

As a consequence of ongoing discussions, Buchanan Minerals, LLC may contribute capital for each well in in exchange for an overriding royalty reimbursement to provide degasification of their mine.

THIS IS AN ESTIMATE OF PROJECTED WELL DRILLING, COMPLETION, EQUIPMENT AND PIPELINE COSTS. THESE ESTIMATES ARE PROJECTIONS ONLY AND ACTUAL BILLED COSTS MAY VARY FROM WELL TO WELL DEPENDING UPON ACTUAL FINAL DEPTH AND OTHER FACTORS INCLUDING, BUT NOT LIMITED TO, SEASONAL MATERIAL COSTS, WEATHER CONDITIONS, AND UNFORESEEN RIGHT-OF-WAY PROBLEMS.




ACTIVE CBM WELL
PLUGGED/ABANDONED CBM WELL
PROPOSED CBM WELL

Company DIVERSIFIED PRODUCTION LLC Well Name or Number UNIT E 37

Tract No. Company Scale: 1" = 400'

County BUCHANAN District GARDEN Quadrangle PATTERSON Date 03-13-2026

This plat is a new plat X ; an updated plat ; or a final plat

Richard L Bailey

Digitally signed by Richard L Bailey
DN: c=US, o=Unaffiliated, dnQualifier=A01410D00000194F732C2B3000271C5, cn=Richard L Bailey
Date: 2026.03.13 13:53:08 -04'00'

COMMONWEALTH OF VIRGINIA
RICHARD L. BAILEY
License No. 002214
SEAL
LAND SURVEYOR

Form DGO-GO-7
Rev. 9/91

Licensed Professional Engineer or Licensed Land Surveyor

| | | |
|---|---|---|
| Acreage Panel | | 171.384 |
| DEC Projected Well Cost | $ | 715,677 |
| Other Projected Well Cost | $ | 753,344 |
| Number DEC Wells | | 5 |
| Number Other Wells | | 9 |
| Total DEC Capital | $ | 3,578,385 |
| Total Other Capital | $ | 6,780,096 |
| Total Panel Capital | $ | 10,358,481 |

| 19 East | Unit Acres | Acres in Panel | Percentage in Panel | DEC Acreage in Unit | Other Acreage in Unit | DEC % of Unit | Other % of Unit | DEC Realized % Panel | Other Realized % Panel | Allocated Unit Percentage of Panel (%) | Estimated Capital DEC ($) | Estimated Capital Other($) | Total Estimated Capital ($) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| E36 | 80.000 | 2.815 | 1.6% | 80.000 | - | 100.0% | 0.0% | 1.6% | 0.0% | 1.6% | $ 170,139.13 | $ - | $ 170,139.13 |
| F36 | 80.000 | 4.221 | 2.5% | 47.263 | 32.737 | 59.1% | 40.9% | 1.5% | 1.0% | 2.5% | $ 150,720.54 | $ 104,397.49 | $ 255,118.03 |
| E37 | 80.000 | 17.361 | 10.1% | 58.986 | 21.014 | 73.7% | 26.3% | 7.5% | 2.7% | 10.1% | $ 773,676.66 | $ 275,625.43 | $ 1,049,302.09 |
| F37 | 80.000 | 25.496 | 14.9% | 39.084 | 40.916 | 48.9% | 51.1% | 7.3% | 7.6% | 14.9% | $ 752,847.25 | $ 788,135.76 | $ 1,540,983.01 |
| E38 | 80.000 | 18.020 | 10.5% | 16.405 | 63.595 | 20.5% | 79.5% | 2.2% | 8.4% | 10.5% | $ 223,340.17 | $ 865,792.00 | $ 1,089,132.17 |
| F38 | 80.000 | 24.837 | 14.5% | 63.664 | 16.336 | 79.6% | 20.4% | 11.5% | 3.0% | 14.5% | $ 1,194,617.50 | $ 306,535.43 | $ 1,501,152.92 |
| E39 | 80.000 | 18.678 | 10.9% | - | 80.000 | 0.0% | 100.0% | 0.0% | 10.9% | 10.9% | $ - | $ 1,128,901.81 | $ 1,128,901.81 |
| F39 | 80.000 | 24.179 | 14.1% | - | 80.000 | 0.0% | 100.0% | 0.0% | 14.1% | 14.1% | $ - | $ 1,461,383.28 | $ 1,461,383.28 |
| E40 | 80.000 | 16.067 | 9.4% | - | 80.000 | 0.0% | 100.0% | 0.0% | 9.4% | 9.4% | $ - | $ 971,092.48 | $ 971,092.48 |
| F40 | 80.000 | 19.710 | 11.5% | - | 80.000 | 0.0% | 100.0% | 0.0% | 11.5% | 11.5% | $ - | $ 1,191,276.08 | $ 1,191,276.08 |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | 171.384 | 100.0% | | | | 100% | | 100% | 100% | | $ 10,358,481 | $ 10,358,481 |

| | | |
|---|---|---|
| Acreage Panel | | 260.999 |
| DEC Projected Well Cost | $ | 707,985 |
| Other Projected Well Cost | $ | 753,344 |
| Number DEC Wells | | 14 |
| Number Other Wells | | 9 |
| Total DEC Capital | $ | 9,911,790 |
| Total Other Capital | $ | 6,780,096 |
| Total Panel Capital | $ | 16,691,886 |

| 20 East | Unit Acres | Acres in Panel | Percentage in Panel | DEC Acreage in Unit | Other Acreage in Unit | DEC % of Unit | Other % of Unit | DEC Realized % Panel | Other Realized % Panel | Allocated Unit Percentage of Panel (%) | Estimated Capital DEC ($) | Estimated Capital Other($) | Total Estimated Capital ($) |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| D34 | 80.000 | 2.665 | 1.02% | 80.000 | - | 100.0% | 0.0% | 1.02% | 0.00% | 1.02% | $ 170,436.96 | $ - | $ 170,436.96 |
| E34 | 80.000 | 39.947 | 15.31% | 80.000 | - | 100.0% | 0.0% | 15.31% | 0.00% | 15.31% | $ 2,554,763.70 | $ - | $ 2,554,763.70 |
| D35 | 80.000 | 3.333 | 1.28% | 80.000 | - | 100.0% | 0.0% | 1.28% | 0.00% | 1.28% | $ 213,158.12 | $ - | $ 213,158.12 |
| E35 | 80.000 | 39.524 | 15.14% | 80.000 | - | 100.0% | 0.0% | 15.14% | 0.00% | 15.14% | $ 2,527,711.23 | $ - | $ 2,527,711.23 |
| D36 | 80.000 | 3.989 | 1.53% | 80.000 | - | 100.0% | 0.0% | 1.53% | 0.00% | 1.53% | $ 255,111.83 | $ - | $ 255,111.83 |
| E36 | 80.000 | 38.868 | 14.89% | 80.000 | - | 100.0% | 0.0% | 14.89% | 0.00% | 14.89% | $ 2,485,757.51 | $ - | $ 2,485,757.51 |
| D37 | 80.000 | 4.647 | 1.78% | 80.000 | - | 100.0% | 0.0% | 1.78% | 0.00% | 1.78% | $ 297,193.45 | $ - | $ 297,193.45 |
| E37 | 80.000 | 38.210 | 14.64% | 58.986 | 21.01 | 73.7% | 26.3% | 10.79% | 3.85% | 14.64% | $ 1,801,783.33 | $ 641,892.56 | $ 2,443,675.89 |
| D38 | 80.000 | 5.305 | 2.03% | 57.879 | 22.12 | 72.3% | 27.7% | 1.47% | 0.56% | 2.03% | $ 245,461.28 | $ 93,813.80 | $ 339,275.07 |
| E38 | 80.000 | 37.552 | 14.39% | 16.405 | 63.60 | 20.5% | 79.5% | 2.95% | 11.44% | 14.39% | $ 492,476.93 | $ 1,909,117.35 | $ 2,401,594.27 |
| D39 | 80.000 | 5.964 | 2.29% | - | 80.00 | 0.0% | 100.0% | 0.00% | 2.29% | 2.29% | $ - | $ 381,420.65 | $ 381,420.65 |
| E39 | 80.000 | 36.894 | 14.14% | - | 80.00 | 0.0% | 100.0% | 0.00% | 14.14% | 14.14% | $ - | $ 2,359,512.65 | $ 2,359,512.65 |
| D40 | 80.000 | 0.590 | 0.23% | - | 80.00 | 0.0% | 100.0% | 0.00% | 0.23% | 0.23% | $ - | $ 37,732.76 | $ 37,732.76 |
| E40 | 80.000 | 3.511 | 1.35% | - | 80.00 | 0.0% | 100.0% | 0.00% | 1.35% | 1.35% | $ - | $ 224,541.90 | $ 224,541.90 |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | 260.999 | 100.0% | | | | 100.0% | | 100.0% | 100.0% | | $ 16,691,886 | $ 16,691,886 |

VIRGINIA:

BEFORE THE VIRGINIA GAS AND OIL BOARD

| | | |
|---|---|---|
| APPLICANT: | DIVERSIFIED PRODUCTION LLC | Va. Dept. of Energy |
| RELIEF SOUGHT: | POOLING OF INTERESTS IN DRILLING UNIT **E-37** LOCATED IN THE POOL DESIGNATED THE **OAKWOOD COALBED GAS FIELD**, AS AMENDED, PURSUANT TO VA. CODE § 45.2-1620 *et seq.*; 4VAC25-160-10 *et seq*; under Virginia Gas and Oil Board Orders in Docket Proceedings, as amended, including OGCB 3-90; VGOB-91-1119-162; VGOB 93-0216-0336 and VGOB 93-0316-0349; and VGOB 93-0316-0348,; as amended, 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") | Division of Gas & Oil<br><br>DOCKET NO.<br>VGOB 25-1021-4323 |

LEGAL DESCRIPTION:

**DRILLING UNIT NUMBER E-37**
(herein “Subject Drilling Unit”) IN THE
POOL DESIGNATED AS THE OAKWOOD COALBED
GAS FIELD, as amended,

**GARDEN MAGISTERIAL** DISTRICT,
PATTERSON 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 came for final hearing before the Virginia Gas and Oil board (hereafter "Board") at 10:00 a.m. on **April 21, 2026** in person and via teleconference.

2. Appearances: Benjamin A. Street, Esquire and Charity A. Barger, Esquire of the firm Street Law Firm, LLP, appeared for the Applicant. Mark A. Swartz, Esquire of Hillard &

Swartz appeared for Pocahontas Gas LLC.

3. Jurisdiction and Notice: Pursuant to Va. Code §§ 45.2-1600 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:

(a) 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, and mineral owners having an interest underlying the Subject Drilling Unit including any persons with 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" seams, the Pocahontas No. 9, 8, 7, 6, 5, 4, 3, 2 seams, and various unnamed seams and all zones in communication therewith and all productive extensions thereof (hereafter "Subject Formation") in Subject Drilling Unit underlying and comprised of Subject Lands;

(b) represented it has given notice to those persons entitled by Va. Code §§ 45.2-1618, 45.2-1620, and 45.2-1622, to notice of the Application filed herein; and

(c) that the persons set forth in the Application and Notice of Hearing have been identified by Applicant through its due diligence as persons with rights to Coalbed Methane Gas in the Subject Formation, and/or in the Subject Drilling Unit; and that the persons identified in Exhibit B-3 attached hereto are persons who have not heretofore agreed to lease or sell to Applicant and/or voluntarily pool their Gas interests in the Subject Drilling Unit. Further, the Board has caused notice of this hearing to be published as required by Va. Code § 45.2-1618.B. Whereupon, the Board hereby finds that the notices given herein satisfy all statutory requirements, Board rule requirements and the minimum standards of due process.

4. Amendments: **None**

5. Dismissal: **None**

6. Relief Requested: Applicant requests that:

(a) pursuant to Va. Code § 45.2-1620, the Board pool all the interests in the Gas in Subject Drilling Unit, including the pooling of the interests of the Applicant and of the persons named in the Application, the Notice of Hearing, and 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 development and operation, including production of Coalbed Methane Gas, produced from or allocated to 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");

(b) establish a procedure whereby each person named in Exhibit B-3 may make elections;

(c) provide that any person named in Exhibit B-3 who does not make a timely election is to be deemed as have leased their Coalbed Methane Gas interests to the Applicant at a rate established by the Board;

(d) designate Applicant as the Operator of the Subject Drilling Unit;

(e) make any necessary provision for the escrowing of funds; and

(f) grant such further relief as this cause may require, whether or not specifically requested.

7. Relief Granted: The Applicant's requested relief in this cause shall be and hereby is granted: (1) Pursuant to Va. Code § 45.2-1620, the Applicant (hereafter "Operator") is designated as the Operator authorized to operate Gas wells in the Subject Drilling Unit depicted on the plat attached hereto as **Exhibit A,** subject to the permit provisions contained in Va. Code §§ 45.2-1600 et seq.; Board Orders in Docket Proceedings OGCB 3-90, VGOB-91-1119-162, VGOB 93-0216-0336 and VGOB 93-0316-0349, and VGOB 93-0316-0348; and §§ 4 VAC 25-160 et seq., all as amended from time to time, and (2) all the interests in the Gas in Subject Drilling Unit, including that of the Applicant and the persons named in the Application, the Notice of Hearing, and **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.

Pursuant to the Field Rules promulgated under the authority of Va. Code § 45.2-1619, the Board has adopted methods for the calculation of production, revenue, and allocation of allowable costs for the production of Coalbed Methane Gas restated in subparagraphs 7.1, 7.2, and 7.3.i of this Order, dependent on the particular long wall mining plan applicable to each 80-acre drilling unit once the long wall panel(s) located in the drilling unit has (or have) been isolated by the driving of entries. The foregoing method of calculation shall not, however, apply to Gas wells located in a proposed long wall panel under the circumstances in subparagraph 7.3.ii of this Order. Production, revenue, and allocation of allowable costs for the production of Coalbed Methane Gas from an 80-acre drilling prior to the actual commencement of coal mining operations by the driving of entries and completion of isolation of a long wall panel shall be attributed to only the 80-acre drilling unit in which the Gas well is located., 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 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 For Gas from Any Well Located in a Long Wall Panel i. After actual commencement of coal 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. 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 the proposed long wall panel shall be produced from and allocated to only the 80-acre drilling unit in which the well is located.

8. Election and Election Period: In the event any person named in Exhibit B-3 hereto does not reach a voluntary agreement to share in the operation of a well(s) located in or attributable to the Subject Drilling Unit, at a rate of payment mutually agreed to by said person and the 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 Operator at the address shown below within thirty (30) days from the date of receipt of a copy of this Order. 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 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 Operator at the address shown below.

9. Election Options :

9.1 Option 1 – To share as a Participating Operator in the Well Development and Operation of the Drilling Unit: Any person 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 and for generation and sale of environmental credits, 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 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: 19 East Panel Total Estimate of the Allowable Cost = $1,049,302.09 (DEC = $773,676.66 and Other = $275,625.43), Estimated Well Costs = $715,677.00.; 20 East Panel Total Estimate of Allowable Cost = $2,443,675.89 (DEC = $1,801,783.33 and Other = $641,892.56), Estimated Well Costs = $707,985.00.

Any persons named in **Exhibit B-3** who elect this option (Option 1) understand and agree that their initial payment under this option is for their proportionate share of the Applicant's estimate of actual costs and expenses. It is also understood by all persons electing this option that they are agreeing to pay their proportionate share of the actual costs and expenses as determined by the Operator named in this Board Order.

A Participating Operator's proportionate cost hereunder shall be the result obtained by multiplying the Participating Operator's interest in the Subject Drilling Unit times the Completed-for-Production Cost as 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 – Compensation: Any person named in **Exhibit B-3** who does not reach a voluntary agreement with the Operator may elect to participate under the following terms:

- 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 person named in Exhibit B-3 hereto who does not reach a voluntary agreement with the Operator may elect to accept a cash bonus consideration of $10.00 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 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 percentage interest in the 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, and any costs associated with the generation and sale of environmental credit revenues, including costs associated with flaring, whether performed by Operator or a third person]; and additional royalties calculated as 1/8 of 8/8ths (12.5%), of the net proceeds received by the Operator for generation and sale of environmental credits attributable to Gas produced from Well Development and Operation for the Subject Drilling Unit and multiplied by that person's percentage interest in the Subject Drilling Unit as fair, reasonable and equitable compensation to be paid to said person. 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 rights, 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 person 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 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 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 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 person and the Operator, or fails to make an election under Paragraph 9.1 above, 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. Operator: **Diversified Production LLC** shall be and hereby is designated as Operator authorized to operate the wells on Subject Drilling Unit, all subject to the permit provisions contained in Va. Code §§ 45.2-1600 et seq.; Board Orders in Docket Proceedings OGCB 3-90, VGOB-91-1119-162, VGOB 93-0216-0336 and VGOB 93-0316-03489, and VGOB 93-0316-0348; §§ 4 VAC 25-150 et seq.; Gas and Oil Regulations; and §§ 4 VAC 25-160 et seq., all as amended from time to time, and all elections required by this Order shall be communicated to Operator in writing at the address shown below:

**Diversified Production LLC**
**100 Diversified Way**
**P.O. Box 158**
**Pikeville, KY 41501**

14. Commencement of Operations: Operator shall commence or cause to commence operations for the drilling of the well(s) outside the Subject Drilling Unit but from which production is allocated to the Subject Drilling Unit within Seven Hundred and Thirty (730) days from the date of the Order and shall prosecute same with due diligence. If Unit Operator shall not have so commenced and/or prosecuted, then this Order shall terminate, except for any cash sums then payable hereunder; otherwise, unless sooner terminated by Order of the Board, this Order shall expire at 12:00 P.M. on the date on which all wells covered by the Order and/or all wells from which production is allocated to the Subject Drilling Unit are 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 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 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 hereof in the Subject Drilling Unit; and, the Unit Operator has represented to the Board that there **are no** conflicting claimants in the Subject Drilling Unit whose payments are subject to the provisions of Paragraph 16.2 hereof. Therefore, by this Order, the Escrow Agent named herein or any successor named by the Board, **is not** required to

establish an interest bearing escrow account for the Subject Drilling Unit (herein "Escrow Account"), and to receive and account to the Board pursuant to its agreement for the escrowed funds hereafter described in Paragraphs 16.1 and 16.2:

**First Bank & Trust Company**
**PO Box 1008**
**Abingdon, VA 24212**

16.1. Escrow Provisions For Conflicting Claimant's: 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§ 45.2-1620.D, said sums shall be deposited by the 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§ 45.2-1620.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 §§ 45.2-1622.B.2, 45.2-1622.B.3 and 45.2-1622.B.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 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 **Diversified Production LLC,** a Virginia limited liability company is duly authorized and qualified to transact business in the Commonwealth of Virginia;

17.2 **Diversified Production LLC** has the authority to explore, develop and maintain the properties and assets, now owned or hereafter acquired, consented to serve as Coalbed Methane Gas Unit Operator for Subject Drilling Unit and to faithfully discharge the duties imposed upon it as Unit Operator by statute and regulations;

17.3 **Diversified Production LLC** is an operator in the Commonwealth the of Virginia, and has satisfied the Board's requirements for operations in Virginia;

17.4 **Diversified Production LLC** claims ownership of gas leases, Coalbed Methane Gas leases, and/or coal leases representing **73.733** percent of the oil and gas interest/claims in and to Coalbed Methane Gas; and, Applicant claims the right to explore for, develop and produce Coalbed Methane Gas from Subject Formations in Subject Drilling Unit in **Buchanan** County, Virginia, which Subject Lands are more particularly described in **Exhibit A;**

17.5 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;**

17.6 Set forth in Exhibit B-3, is the name and last known address of each person identified by the Applicant 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 Operator or agreed to voluntarily pool his interests in Subject Drilling Unit for its development. The interests of the persons listed in Exhibit B-3 comprise 26.267 percent of the interests/claims in and to Coalbed Methane Gas and 26.267 percent of the coal interests/claims in and to Coalbed Methane Gas in Subject Drilling Unit;

17.7 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 the Wells are those options provided in Paragraph 9 above;

17.8 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 by Unit Operator to each Respondent named in Exhibit B-3 re-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 Ann. § 45.2-1609 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 as of the date of the Board's approval of this Application, which is set forth at Paragraph 1 above.