

DUHRING RESOURCE COMPANY

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March 5, 2008

SENT BY FAX & FIRST CLASS MAIL

Leanne Marten, Forest Supervisor
Allegheny National Forest
P.O. Box 847
Warren, PA 16365

RE: Lot 8 and Warrant 3672 Timber Removal

Dear Ms. Marten:

I received your letter of February 22, 2008. Due to potential liability, the cutting of the ANF's trees, by Duhring, would be the option of last resort. I foresee the inevitable bark scrapes, etc., as another source of controversy.

Also, the handling of the timber adds value. As it is currently standing, the timber has one value. When it is cut, the labor and equipment necessary to bring that timber partially to market is value added. I understand the ANF will not reimburse Duhring for that value added; in that refusal we have yet another controversy.

Therefore, I return to the question of timber sale. I understand that Duhring and the ANF disagree on the timber value. What I do not understand, is why the ANF refuses to market the timber to a buyer other than Duhring.

Nothing requires Duhring to purchase the timber. In fact, the injunction in Minard Run contemplates that the ANF would market its own timber. For example, on Lot 8, the ANF already offered the timber to a 3d party (Highland Forest Products refused to buy at the ANF price). Since the ANF has known about the price problem for several months, why hasn't the ANF offered the timber to another 3d party either by negotiation or via public bid? The public bid process would be a good way for the ANF to realize the fair value for its timber.

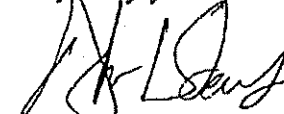
And, if Duhring cuts the timber won't the ANF still be offering the timber for sale to a third party? What is the difference between the ANF selling the timber from an oil and gas project when it is cut versus when it is standing?

The ANF started down the proper path when it offered the timber for sale to Highland. When Highland refused to purchase I believe the ANF could and should have continued to locate buyers. I respectfully suggest that is what the ANF should be doing now. The ANF's failure to do so is delaying Duhring's oil and gas projects and causing Duhring to suffer continued economic loss.

Since you won't reduce the timber price, Duhring's first preference is that the ANF promptly sell the timber, on both parcels, to a third party. Duhring's second preference is that we meet to discuss any other options that might meet our respective needs.

If you do not wish to meet, we are then left with the timber cutting option. Duhring does not want the responsibility of cutting the timber on either parcel. Lot 8 is particularly problematic because of the timber density on the northern portion. Warrant 3672 is less dense and would, therefore, be the logical place to start. If the ANF does not remove the timber within 30 days on Warrant 3672, then Duhring will resort to cutting the timber on Warrant 3672. If Duhring cuts the timber on Warrant 3672, please know that Duhring will look to the ANF for reimbursement of the value added by the cutting. We will assess the Warrant 3672 process before deciding to cut the timber on Lot 8.

Very truly yours,



Arthur J. Stewart

AJS/ame

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FACSIMILE TRANSMISSION

TO: Ms. Leanne Marten
FAX NO.: 726-1465
FROM: Arthur Steward
DATE: March 5, 2008

TOTAL NO. OF PAGES, INCLUDING COVER SHEET: 3

MESSAGE: *working on response will work w/ OGC*

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