

DUHRING RESOURCE COMPANY

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January 28, 2008

VIA CERTIFIED MAIL & FACSIMILE

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

RE: Lot 8 and Warrant 3672 Projects

Dear Ms. Marten:

Duhring Resource Company ("Duhring") is an oil and gas operator; some of Duhring's property interests are co-existent with ANF parcels. The purpose of this letter is to address timber harvesting on two of Duhring's well development projects. I am writing to you because the problems involve both Ranger Districts, with Lot 8 being located upon the Bradford District and Warrant 3672 being located upon the Marienville District.

Duhring submitted its Plans of Operation, to the ANF, for both projects, in the spring of last year. Significant delays (not involving timber) unfolded. I will not recount the specifics of those delays except to note that Duhring is suffering daily economic loss, as a result of its inability to timely produce its oil and gas.

The current cause of delay on the Lot 8 and Warrant 3672 projects is the unreasonably high timber prices, established by the ANF, for both projects. On Lot 8 the ANF established the timber price at approximately \$160,000. I suspected difficulty with that price when Highland Forest Resources, Inc., turned down the timber for that price. (Duhring has no association with Highland. Highland was already the successful bidder on an ANF timber sale on Lot 8, and the ANF, therefore, felt obliged to offer the timber to Highland before turning the timber over to Duhring for removal. I understand Highland had no interest in the timber at that price.)

Duhring thereafter asked a timber purchaser to examine the Lot 8 timber. That purchaser expressed the opinion the ANF's Lot 8 price was unreasonably high. I exchanged correspondence with Mr. Scardina. Mr. Scardina indicated the Forest Service did not have personnel available to revisit the issue in a timely manner. I therefore contacted the firm of Keith Horn, Inc., Consulting Foresters. One of Horn's professional forest consultants examined the timber and completed a report (a copy of which is enclosed). The ANF price is, indeed, unreasonably high.

A similar process unfolded on the Warrant 3672 project. The timber buyer contacted by Duhring refused to purchase, indicating that the ANF's timber price on Warrant 3672 was too high. The ANF has also attempted to locate interested buyers including Matt Burton. Mr. Burton made an unsolicited contact to Duhring, and Duhring welcomed Mr. Burton's interest in the timber. However, after doing a tree-by-tree analysis, Mr. Burton concluded that the ANF price was unreasonably high. Mr. Burton's conclusions are summarized in a facsimile to Duhring, a copy of which is also enclosed.

Duhring will not pay more than the fair market value for the timber. Duhring has already gone to the difficulty of securing the opinion from Keith Horn, Inc., on Lot 8. If need be, Duhring can have completed a similar analysis for Warrant 3672. However, I suggest that such a step will waste more time inasmuch as there is ample evidence that there is a serious problem with the ANF's valuation of timber on Duhring's projects. As to Lot 8, both Highland Forest Products and Keith Horn, Inc., are disinterested parties. As to Warrant 3672, Mr. Burton is disinterested having had no prior association with Duhring.

Moreover, I must express the concern that ANF personnel involved with the pricing of timber are operating from a position of bias against the development of private oil and gas interests. I am advised that one of your employees, holding a position of responsibility in the area of timber administration, is openly vocal to the effect that oil and gas wells should not be drilled upon the ANF. More specifically, that individual has indicated that if private landowners would not appreciate having oil and gas wells drilled upon their property, then the American public will not appreciate having oil and gas wells drilled upon the ANF. With the history of delays that Duhring has suffered under the current ANF administration, Duhring is very sensitive to the concern that personal prejudices of this type are unreasonably interfering with Duhring's property rights.

I request that you exercise your authority as Forest Supervisor to immediately provide the following relief:

A. That you reduce the price on the Lot 8 timber package to the amount of \$130,187; and

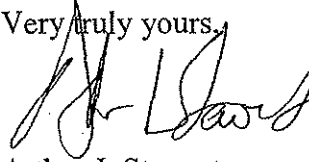
B. That you reduce the price on the Warrant 3672 timber package to the amount of \$112,000.

Alternatively, the ANF remains welcome to remove the timber itself.

It is imperative that these actions occur immediately. First, I believe that within the timber industry, timber prices are falling in the face of housing market difficulties. Second, Duhring continues to suffer significant economic loss as a result of the ANF delays.

Your prompt response would be appreciated.

Very truly yours,

A handwritten signature in black ink, appearing to read "Arthur J. Stewart". The signature is written in a cursive style with a large initial "A".

Arthur J. Stewart

AJS/ame

Enclosures

c: Mr. Anthony Scardina
Mr. Robert Fallon

KEITH HORN, INC.
CONSULTING FORESTERS



PHONE: (814) 837-9391
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UTE 321 NORTH, PO BOX 319
LANE, PENNSYLVANIA 16735

January 24, 2008

Mr. Arthur Stewart
Duhring Resources Company
203 Center Street
Sheffield, PA 16347

RE: Lot 8 - Road ROW/Well Locations Timber Appraisal located on Allegheny National Forest TSA Contract No. Sale Name: OGM 243 Duhring 17W Sheffield Township, Warren County, Pennsylvania

Dear Mr. Stewart:

This timber appraisal on the Allegheny National Forest by Keith Horn, Inc. was done to establish all merchantable sawlogs volume and value contained within the above named project area of 13 acres. Keith Horn, Inc. annually appraises between 12 and 16 million board feet for various clients.

Total Sawtimber Value	\$ 129,602
Total Pulpwood Value	\$ <u>585</u>
Total Stumpage Value	\$ 130,187

Appraised values are based on harvesting all merchantable trees marked within the project area.

Sincerely,
KEITH HORN, INC.

/ John D. Saf, Forester



Info on Timber Cruise
for WARRANT 3672 CASE 596

77,616' Black cherry

3,546' Hard maple

12,856' Soft maple

Volumes were scaled on Dolye

Timber is worth \$112,000.00

Matt Burton