

Duhring Resource Company
600 Market Street
Warren, PA 16365

Phone (814)723-3221

Fax (814)723-7950

April 27, 2007

Randy Moore, Regional Forester
U.S. Forest Service
636 E. Wisconsin Ave, Suite 800
Milwaukee, WI 53202

Dear Mr. Moore,

As counsel for and part owner of Duhring Resource Company (Duhring), I write concerning breaches of Forest Service (FS) policy. The breaches have been committed by Kathleen Morse, supervisor of the Allegheny National Forest (ANF).

On March 20, 2007, Duhring submitted a plan of operations for oil and gas wells, access roads, and pipelines, to the ANF. The proposed development is located in Sheffield Township, Warren County, PA. On April 3, 2007, Ms. Morse sent written objections to the PA Department of Environmental Protection (DEP) as to eight of the proposed wells. No copy of the objection letter was sent to Duhring. Duhring has now obtained a copy of the objection letter; a copy is enclosed for your review.

The actions of Ms. Morse are problematic for the following reasons. First, the failure of Ms. Morse to send a copy of the objections to Duhring is not merely rude—it is violative of the FS directive to initiate negotiations. After the objections were sent to the DEP Ms. Morse did cause an ANF employee to telephone Duhring to advise that an objection letter was sent. At Duhring's request that employee promised to promptly send a copy of the objection letter so Duhring could know the nature of the objections. The copy was not sent as promised. Instead, Duhring had to send a demand, by certified mail, in order to learn the nature of the ANF objections. A copy of the Duhring demand letter is also enclosed. Only after receiving the demand letter did the ANF provide a copy of its objection letter to Duhring. As a result Duhring did not learn the nature of the ANF's objections until over one month after Duhring's submission of its plan of operations. The secretive nature of Ms. Morse's objection process is in direct contravention of the FS Manual.

Second, Ms. Morse's DEP objection process was the subject of a previous complaint. That previous complaint was made by PAPCO and received coverage in the Warren Times Observer. In that article Ms. Morse was quoted as follows: "Meeting with operators prior to the filing of applications for permits with DEP is the agency's

'preferred method' of doing business with producers, said Morse." (A copy of the article is enclosed.)

In Duhring's case, Duhring has not yet filed applications for the permits with DEP. (This status is easy for the ANF to discern—under PA law permit applications must be preceded by notice to the surface owner. Duhring did not send notice to the ANF prior to the submission of the plan of operations. Since Duhring has not yet filed permit applications with the DEP, we could easily achieve Ms. Morse's "preferred method of doing business", i.e. a meeting. But instead Ms. Morse deviated from her "preferred method" and fired off the objection letter to the DEP. That shoot first/ask questions later attitude is, unfortunately, the true "preferred method" of operation Duhring has encountered over the past two years. (There are many "secretive" complaint examples that other producers and I would be happy to share with you.)

But more important than the rude behavior or deviation from the "preferred method" is the wanton disregard of explicit policy. Permit me to use well 7-18 as an example. To the DEP Ms. Morse objected as follows: "As proposed, well 7-18 and the access road would directly impact the North Country National Scenic Trail as administrated by the National Park Service. The NCNST was federally designated as a National Scenic Trail in 1980..."

Duhring's rights as to well 7-18 are what the FS terms "Outstanding Rights". Under section 2832 of the FS Manual Ms. Morse's objections should have been pursued in a far different manner. Negotiation with Duhring should have been the first step. Next, under section 2832.2 Ms. Morse should have consulted you as well as the Office of the General Counsel. Of course, it is possible that you and Counsel were contacted. But if that is the case, then it is all the more bewildering as to why Duhring was not provided a copy of the DEP objection letter. And had your General Counsel been involved your Counsel would have found it significant that in the immediate proximity of well 7-18 numerous other wells exist adjacent to the North Country Trail and that under Pennsylvania law the subsurface owner is regarded as the dominant tenement. (The significance of state law is observed at section 2830.1 of the FS Manual.)

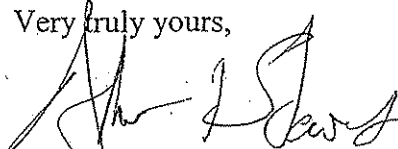
Moreover, Ms. Morse routinely ignores the FS Manual's dictates for what is to occur after a producer's plan of operations is reviewed with approval. Despite complaints by me and other producers Ms. Morse insists upon issuing what she terms a "Notice to Proceed". That notice is imbued (improperly) with what she asserts are applicable conditions. As I trust you are aware, the FS Manual provides for quite different documentation.

The difficulties outlined above are not occurring in a vacuum. To my observation the ANF staff has been disingenuous in their communications over the past year. During that time oil and gas producers on the ANF formed a committee to meet with ANF staff. The initial focus of those meetings was a unilateral pronouncement, by the ANF, that it owned and controlled all of the stone within the ANF.

The ANF has not carried through with assurances made by its staff at those meetings. In the enclosed newspaper article Ms. Morse is quoted as saying: "We view our overall relationship (with producers) as being very positive." I can assure you that all of the producers participating in those meetings are concerned by the direction and posture of the ANF staff; the producers do not view the meetings as productive. To the contrary, the good working relationships built over decades of interaction have deteriorated markedly in the past two years. The oil and gas producers participating in the meetings represent the largest producers operating on the ANF.

I am sending a copy of this letter to Ms. Morse as I think she is entitled to know the specifics of my objections. However, it appears beyond Ms. Morse's power or desire to follow the FS Manual. Section 2830.1 of the FS Manual recognizes the respective rights of the parties and sets out a uniform way for ANF staff to work in harmony with those rights. I request that, as Regional Forester, you implement the steps necessary to see that compliance with FS procedures by ANF staff is properly maintained.

Very truly yours,



Arthur Stewart

AJS

Enclosures

c: Kathleen Morse

Congressman John Peterson

POGAM

DUHRING RESOURCE COMPANY

600 Market Street
Warren, PA 16365

Phone (814) 723-3221

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April 20, 2007

VIA CERTIFIED AND REGULAR MAIL

Mr. Robert Stovall
Acting District Ranger
Bradford Ranger District
29 Forest Service Drive
Bradford, PA 16701

RE: Upcoming Wells on Lots 7, 8 and 9
Sheffield Township, Warren County, Pennsylvania

Dear Mr. Stovall:


I write with respect to the plan of operation for new wells which we submitted to you approximately four weeks ago. Those wells are to be located on Lots 7, 8 and 9 in Sheffield Township, Warren County, Pennsylvania.

At the beginning of this month you telephoned me to advise that Kathleen Morse had submitted a letter of objection to the DEP concerning eight of those wells. You advised that she objects to four wells on Lot 7, one well on Lot 8 and three wells on Lot 9. I requested that you forward me a copy of that letter so I could understand the nature of the Forest Service's objections. You indicated you would see to it that I promptly received a copy.

Over two weeks have now passed and I have not received a copy of the letter. It is obviously impossible for Duhring to respond to Ms. Morse's objections if Duhring is not provided with a copy of those objections. When you telephoned me two weeks ago, I asked why Duhring was not provided a copy of the letter at the same time the letter was provided to the DEP. You advised you thought that would be the better practice. If that is the case, then I inquire: Why do I not yet have a copy of the letter?

Duhring is under a time obligation to complete wells on all three of these lots. Those time obligations are a matter of public record. Please consider the Forest Service as being placed on notice that any delay by the Forest Service in the prompt processing of Duhring's rights to drill wells on these lots will result in a monetary loss to Duhring.

Very truly yours,



Arthur J. Stewart

AJS:lag

cc: Bob Gleason, DEP



United States
Department of
Agriculture

Forest
Service

Allegheny National Forest
Supervisor's Office

222 Liberty Street
PO Box 847
Warren, PA 16365
(814) 723-5180
FAX (814) 726-1465

File Code: 2830

Date: April 3, 2007

Robert Gleeson
Pennsylvania Department of Environmental Protection
Northwest Regional Office
230 Chestnut Street
Meadville, PA 16335-3481

Dear Mr. Gleeson:

The Forest Service, surface landowner of the Allegheny National Forest (ANF) in northwest Pennsylvania, files this official objection to the well permit applications submitted by Dubring Resource Company. The objection is for seven (7) wells located in Sheffield Township, Warren County, Pennsylvania on Warrant 2752. This objection pertains to Title 58, Section 601.205 of the Pennsylvania Oil and Gas Act, "Well Location Restrictions."

The wells in objection in Warrant 2752, Lot 7, are numbered 7-18, 7-20, 7-21, and 7-22. The Well (Farm) name is Lot 7 and is located within the Sheffield and Ludlow Quadrangles. The well plats for the objected wells were submitted to the Bradford District Office on March 20, 2007. As proposed, Well 7-18 and the access road would directly impact the North Country National Scenic Trail (NCNST) as administrated by the National Park Service. The NCNST was federally designated as a National Scenic Trail in 1980 under Public Law 90-543. Wells 7-20 and 7-21 are proposed within large spring seeps (wetlands) that drain directly into a wetland west of SR 948. Well 7-22 is proposed within this wetland. Please see the attached pictures.

In addition to objecting to these seven (7) wells, the Forest Service would like to bring to your attention the situation regarding four (4) other wells and their associated roads that are proposed on side slopes greater than 40%. In addition to being on steep side slopes many of these wells are within close proximity (200 feet or closer) to Rock Run, a High Quality Cold Water Fisheries stream as designated by the Pennsylvania Fish and Boat Commission. The first of these wells is numbered 8-43 located in Warrant 2752, Lot 8. The Well (Farm) name is Lot 8 and is within the Ludlow Quadrangle (submitted to the Bradford District Office on March 20, 2007). The other three (3) wells are numbered D-25, D-26, and D-27 located in Warrant 2445, Lot 9. The Well (Farm) name is Lot 9 and is within the Ludlow Quadrangle (submitted to the Bradford District Office on March 22, 2007).

Given the location of these wells we believe that standard Best Management Practices (BMP's) will not be effective in protecting water resources. Therefore, we request your assistance in working with us and the operator to identify site-specific mitigation measures and/or alternative drilling technologies to address these concerns. If you have any questions, please contact Paul Weese at (814) 362-4613.

Sincerely,

/s/ Kathleen S. Morse
KATHLEEN S. MORSE
Forest Supervisor

