

## DUHRING RESOURCE COMPANY

203 Center Street  
P.O. Box 726  
Sheffield, PA 16347

Phone (814) 968-3337

Fax (814) 968-3330

August 31, 2007

SENT BY CERTIFIED MAIL

Mr. Robert T. Fallon  
Allegheny National Forest  
Marienville Ranger District  
HC 2, Box 1130  
Marienville, PA 16239

RE: Warrant 3672

Dear Mr. Fallon:

I received your August 22, 2007, letter earlier this week. Please note the change of address which Duhring sent to the Allegheny National Forest several months ago. Our mailing address is P.O. Box 726, Sheffield, Pennsylvania 16347. Our new location is 203 Center Street, Sheffield; our telephone number is (814) 968-3337.

From your letter I surmise you have not personally visited the site on Warrant 3672. Your suggestion, contained in the next to last paragraph (that the old wells could be dealt with separately), is not practical. Roads to the majority of old wells do not exist. To access the old wells, we will need to construct new roads; that will necessarily involve all of the issues about which you have expressed concern (access, archeologically valuable tripods, timber removal, and stone).

Your confusion about this gives me concern that you and your peers are not treating the timeline with the seriousness that should be accorded. Duhring works with one trusted excavation contractor; that contractor operates two crews. Duhring had promised the excavation contractor that Duhring would employ both crews from this past spring until Christmas. Duhring has four projects on ANF land and one project on private land that would have kept those crews busy during that timeframe -- Warrant 3672 is one of those projects. However, as of this date, I do not have a notice to proceed on any of those four ANF projects; the ANF is delinquent on all four. As a consequence, I have been forced to let one of the excavation crews engage in unnecessary work for the last several weeks merely to keep them busy. The contractor has moved the other crew to a different oil and gas operator -- unfortunately, I have now lost access to that crew.

In the face of these time pressures, permit me to review the concerns you have identified:

1. Access.

You have expressed (in bold print) in two paragraphs, your concerns regarding Duhring's access over the property of another surface landowner. You have requested a meeting on this topic. You have also taken it upon yourself to contact this other surface landowner about Duhring's development. Why is the ANF delaying this process and concerning itself with the business of another surface landowner?

The boundaries of Duhring's acreage are not the same as the boundaries of the Forest Service. An example of this is found in the Deed copies which Duhring sent you with its Plan of Operations. The earlier Deed (1893) shows the separation of the oil, gas and minerals from the surface thereby creating what is commonly termed "outstanding" rights. The other Deed (dated 1924) is the Deed conveying the surface to the United States of America. In the 1924 Deed, you can see the exception of lots along Straight Run (which lots were sold in 1919). Duhring would have the right to operate on those lots, but the ANF would have no ownership interest in those same lots.

Moreover, if you had made a visit to the premises, it would have been obvious to you that access for the oil and gas activity has been had, for a long period of time, over the roadway adjacent to the landowner's camp. Two oil tanks are located immediately west of that camp and can be only accessed via that roadway. Indeed, the owner from whom we acquired our property interest had oil shipped from that location, last December, utilizing the very road about which you write. There is no logical basis for you to raise this concern and delay the project because of it.

What I suspect is occurring is that the ANF would like to enjoy the benefit of the roads constructed by Duhring for timber removal purposes. However, the ANF cannot utilize the longstanding oil and gas access across the adjacent landowner's premises because the boundaries of the ANF's ownership interest are different than the boundaries of Duhring's ownership interest. Were it not for the severe time pressures, we would be willing to work with you. Indeed in the future, we could look at a joint project to put a culvert across Straight Run (to the north of the existing oil tanks) and gain access to F.R. 131 to the north of the current access. However, in the near term, I must insist that you drop the issue of access since the rights of the adjacent landowner are outside your purview.

2. Heritage.

You have requested a meeting concerning the protection of three archeologically important tripods and the adjacent powerhouse. Duhring's work will not impact the powerhouse or the engine located therein. Again, your request for a meeting concerning the three tripods does not reflect a grasp of the seriousness of the timeline problems. Tripods like that are scattered all over the countryside. If the ANF would like to move those three tripods to a location outside of the work area, the ANF has Duhring's express permission to do so. But we will not suffer more delay for a silly meeting over three tripods.

3. Wildlife.

You have requested a meeting to deal with your biologist's wildlife concerns. Most of the wildlife concerns relate specifically to the risk of erosion and sedimentation. As you know, we have already walked all of the proposed roads and locations with representatives from the DEP. Those representatives complimented us on the thoughtful layout, and Duhring has the erosion and sedimentation issues well in hand.

The other issues raised by your wildlife biologist included re-vegetation with items such as hawthorn, elderberry, or hard-mast trees. Your wildlife biologist also recommended wildlife plantings and fencing on up to five acres and an application of limestone on the running surface of the roads and in the roadside ditches in areas adjacent to tributary streams. With regard to these latter recommendations, Duhring politely declines. These are all items which go beyond what is required by law or what is customary in the field. If the Forest Service wishes to implement those suggestions, at its own cost, Duhring certainly has no objection and Duhring will cooperate where convenient. For example, if the Forest Service wishes to deliver limestone at a time when Duhring's contractor is present, Duhring will be willing to discuss the grading of that limestone.

Therefore, I see no reason why the project should be further delayed for any of your above concerns (wildlife, heritage, or access). That leaves remaining the issue of stone. I observe that you have ignored the request (contained in Duhring's Plan of Operations) to schedule a time to conduct a test on Warrant 3672 for the test digging for minerals. I am troubled both by the fact that you have ignored this request and by what appears to be an attempt to force Duhring to go to a stone pit located on other Forest Service land several miles away.

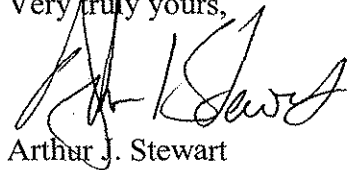
The one comment you do make is that the Forest Service would have to perform an analysis if a new pit was proposed for development. I trust our Plan of Operations made it clear to you that Duhring intended to remove stone from its area of operations on Warrant 3672. If you feel some type of analysis is necessary, I hope that you have completed that analysis. However, it seems to me it would be hard to complete that analysis without responding to Duhring's request to schedule a time for test holes. I am also interested in the type of analysis to which you refer. Please understand that under no circumstances am I intending the stone removal to be a federal action. It will be an action by Duhring no different than the construction of its roads, a tank battery dike, or the drilling of a well.

Next, you have insisted that Duhring not proceed without your approval. As you issue that declaration, I would like you to remember that Duhring and the ANF are co-owners. The delays which your office has created on Duhring's 3672 project, combined with the delays on Duhring's three projects pending in Warren County, have already caused Duhring to suffer economic loss and the loss of one trusted excavation crew. Your insistence that Duhring delay on 3672 is prohibiting Duhring from realizing an economic return from the repair of the old wells and the drilling of new wells. At this point I cannot fathom how Duhring could possibly meet the December 19 DEP deadline and also meet the drilling commitments involved with Duhring's three Warren County projects involving federal surface. As you make your unilateral declaration that Duhring not proceed, do you also have a plan in mind for how Duhring will overcome these contractual obstacles and recoup its losses?

I am prepared to meet immediately concerning the stone. If, after your receipt of this letter, you believe that a meeting must also involve discussion of the access, heritage, or wildlife issues, I would appreciate advance notice, in writing, of your reasoning. If you do not wish to observe the digging of test holes for stone, then I will undertake that excavation without the ANF's participation. Kindly advise.

Finally, I believe the true purpose of your tactics is to unreasonably obstruct or delay Duhring's development of its property rights. Many times in the past, Duhring's road construction activities have impacted tripods and powerhouses, yet Duhring has never been delayed by a request for a meeting to address those "concerns." I suspect that on past Duhring projects biologists have made internal recommendations similar to those made here, but Duhring has never been delayed by requests for meetings over such recommendations. Likewise, I believe your need for "analysis" concerning stone is a "new found" need, inconsistent with past Forest Service practice. Indeed, I have questions about the status of "analysis" at pits, in general, located upon the ANF surface. Accordingly, I have assembled a Freedom of Information Request which relates to these matters. Your prompt attention to seeing to the fulfillment of the FOIA request is appreciated. I have also directed a copy of that request to Ms. Morse.

Very truly yours,

A handwritten signature in black ink, appearing to read 'Arthur J. Stewart', written in a cursive style.

Arthur J. Stewart

AJS/ame

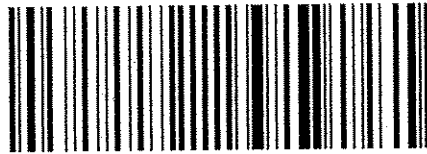
Enclosure

c: Ms. Kathleen Morse

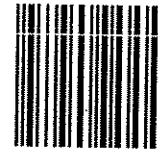
Mr. John Thomas, DEP

Duhring Resource Company  
203 Center Street  
P.O. Box 726  
Sheffield, PA 16347

**CERTIFIED MAIL™**



7007 0710 0002 9403 7708



0000

16239

U.S. POSTAGE  
PAID  
SHEFFIELD, PA  
16347  
SEP 04 '07  
AMOUNT

**\$5.38**  
00048182-03

**RETURN RECEIPT  
REQUESTED**

Mr. Robert T. Fallon  
Allegheny National Forest  
Marienville Ranger District  
HC 2, Box 1130  
Marienville, PA 16239

Name \_\_\_\_\_  
1st Notice 9-5  
2nd Notice \_\_\_\_\_  
Return \_\_\_\_\_