



File Code: 2820-2

Date: April 4, 2008

Arthur J. Stewart
Duhring Resource Co.
P. O. Box 726
Sheffield, PA 16347

Dear Mr. Stewart:

This memo follows up your April 3, 2008, meeting with District Rangers Scardina and Fallon and Mr. Dave Cotterman regarding cutting and removal of National Forest timber on Warrant 3672 and Lot 8. You propose, on behalf of Duhring Resources, to initiate oil and gas operations on those properties.

In an attempt to accommodate the time frames and limits you have established for the initiation of Duhring's operations, Forest Service timber settlement procedures, as opposed to commercial sale practices, will be followed in this instance. I noted that fact in my March 12, 2008, letter to you. As you know, those procedures provide for either purchase of the timber or the cutting, skidding and decking of the timber by Duhring. I note that Duhring has availed itself of the latter option in dealing with the Forest Service in the past. The tool that will be used to exercise these procedures and govern the harvest of the National Forest timber is the agreement for cutting, skidding and decking of timber on Lot 8 and Warrant 3672 that was presented to you at the April 3rd meeting.

The option you advanced on April 3rd of putting the National Forest timber out for sale yourself is not an acceptable option. The United States owns the timber. Our legal counsel advises that the Forest Service has no authority to approve of such a process as it would pertain to National Forest timber and certainly you have no title to or ownership interest that would authorize you to dispose of U.S. Government property.

Thus, the remaining options are:

1. Pay the amount originally established on Lot 8 and Warrant 3672 to purchase the timber and remove the timber in accordance with the signed timber settlement contract that would be established upon award of the sale; or,
2. Work directly with District Ranger Scardina and District Ranger Fallon to ensure signed agreements, as presented to you at the April 3rd meeting, for cutting, skidding and decking the timber on Lot 8 and Warrant 3672 are in place **prior to any timber harvesting activities occurring on the ground**. Since 2003 these types of agreements have been used by oil and gas operators when choosing the option to cut, skid and deck

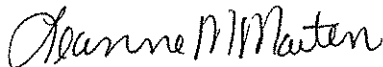


the National Forest timber. A signed Notice to Proceed and Operating Plan from the Marienville Ranger District for the Warrant 3672 proposal and from the Bradford Ranger District for the Lot 8 proposal can be finalized after each agreement is signed and returned.

I also want to take this opportunity to note for you that any entry onto Allegheny National Forest land for purposes of conducting business without first obtaining written notice to proceed from the Forest Service is a violation of Federal law and regulation. In this regard as it pertains to National Forest timber, your considered attention is directed to the provisions of 18 U.S.C. 1853, 16 U.S.C. 551, 36 CFR Part 261 and 42 PA Cons. Stat. Ann. 8311, which, along with other provisions of the law, are applicable to the unauthorized removal of timber from the National Forest.

Finally, as has been noted in previous correspondence to your, Duhring has raised this timber sale issue in the context of its Amended Complaint in its lawsuit against the Forest Service and individual Forest Service employees. Consequently, I do not find it appropriate for the Forest Service to further comment on the matter beyond the substance of this letter. Should Duhring wish to discuss this matter beyond the acceptable options listed above, I ask that your attorney contact Ms. Christy Wiegand of the United States Attorney's Office in Pittsburgh, who has been assigned representation of the named defendants in the subject litigation.

Sincerely,



LEANNE M. MARTEN
Forest Supervisor

cc: Anthony Scardina, District Ranger, Bradford
Rob Fallon, District Ranger, Marienville
Tom Doane, Regional Office
USDA, Office of General Counsel
U.S. Attorney, Erie PA, Attn: Mr. Marshall Piccinini, AUSA
U.S. Attorney, Pittsburgh, PA, Attn: Ms. Christy Wiegand, AUSA

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- Complete items 1 and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
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1. Article Addressed to:

Duhring Resources
P.O. Box 726
Sheffield, PA 16347

COMPLETE THIS SECTION ON DELIVERY

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X *Amy Ei* Agent Addressee

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