



United States
Department of
Agriculture

Forest
Service

Allegheny National Forest
Marienville Ranger District

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File Code: 2830

Date: August 22, 2007

Mr. Arthur Stewart
Duhring Resource Company
7 Branch Street
Warren, PA 16365

Dear Mr. Stewart:

I am writing to give you a status report on our review of Duhring Resource Company's proposed oil and gas development in Warrant 3672, Forest County, Pennsylvania (Forest Service reference: OGM Case No. 595).

The following summarizes the steps that have been taken since we received your Surface Owner Notification on June 5, 2007. These steps include cooperative activities involving Duhring Resource Company (Duhring), the Pennsylvania Department of Environmental Protection (PA-DEP), and the Forest Service.

June 5, 2007: The Forest Service received a "Plan of Operations" and a "Surface Owner Notification" from Duhring detailing your intent to drill 8 new wells and either plug or put into operation 9 existing wells.

June 26, 2007: Lauren Miles, Oil and Gas Administrator on the Marienville Ranger District, Hunter McClelland, Civil Engineering Technician on the Marienville Ranger District, and John Thomas, Watershed Specialist for the PA-DEP, met at the project area for a scheduled meeting with Duhring. Duhring was not able to attend, and rescheduled the field visit for July 2, 2007.

July 2, 2007: Lauren, Hunter, and John met with you at the project area to review your proposal on the ground. Lauren and Hunter both said that it was a productive day for all involved; and that you were able to visit and lay out all but two of the proposed well sites.

July 19, 2007: Bernie Marocco, Civil Engineering Technician on the Marienville Ranger District, met with you at the project area to complete lay out of the remaining two wells.

August 2, 2007: Terry Steffan, Wildlife Biologist on the Marienville District, completed the initial wildlife review. He made several site-specific recommendations to mitigate impacts from the proposed development.

August 13, 2007: Ran Cartwright, Archaeologist on the Marienville District, completed the cultural resources review. He identified a concern with Well No. 13, an access road and a tank battery due to their proximity and potential impact to a small powerhouse and three guide rod tripods.

As a result of these activities, we have identified a number of concerns related to your proposal. We are working internally to resolve some of these concerns, while the others will require some action on your part or further cooperation to identify a course of action. These include:



I have enclosed copies of Terry Steffan's wildlife report, and Ran Cartwright's heritage report so that you may review them and consider the concerns and suggestions. Please contact Lauren Miles at your earliest convenience to arrange a meeting date and time.

One additional concern I have is with a statement in the Plan of Operations you submitted to us on June 4. This statement reads:

The date of commencement of operations for the work referenced herein will be 60 days from the date of the ANF's receipt of this plan of operations. Concerning that date your attention is directed to the document entitled "SURFACE OWNER NOTIFICATION" also enclosed herein. The SURFACE OWNER NOTIFICATION set forth Duhring's intentions and expectations concerning ANF response dates and related items. Additionally Duhring is ready to meet before the expiration of the 60 days in order to review the location for the gas pipeline discussed above and to conduct the test digging for minerals.

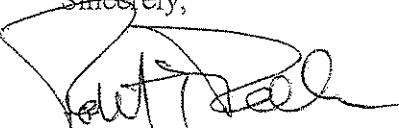
I must caution you that you may not, under any circumstances proceed with any timber harvest, ground disturbing actions, or commercial activities on Forest Service lands within the Marienville Ranger District of the Allegheny National Forest without written approval from me. This approval will be in the form of a Notice to Proceed letter, with an attached Operating Plan, providing the conditions that constitute your reasonable access across Forest Service surface ownership to your privately held sub-surface ownership. A project on the Bradford Ranger District would follow the same procedure, and would require written approval of the Bradford District Ranger.

Given the concerns outlined above, I will do everything I can to expedite your proposed development, in full recognition of the rights of both surface and subsurface ownership. I hope I can count on your continued cooperation to resolve these concerns and move your proposal forward.

One final note: I understand that you are under obligation to PA-DEP to either plug or put into operation the 9 existing wells on or before December 19, 2007. If there is a specific date by which you must have a Notice to Proceed in order to meet this obligation to PA-DEP, and we can address these wells separately, I would be willing to consider a Notice to Proceed specific to these wells to help facilitate your meeting that obligation.

As always, you may contact Lauren Miles at 814-927-6628, x140, or me at x134.

Sincerely,



ROBERT T. FALLON
District Ranger

cc: James Seyler, Lauren Miles, Paul Weese