



File Code: 2830

Date: June 5, 2008

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

Dear Mr. Stewart:

I have completed an initial review of the "Surface Owner Notifications", "Plan of Operations", and maps that the District received on May 12, 2008, for Lot 8, and May 9 and 13 (revised), 2008, for Lot 9, from Duhring Resource Company (Duhring). Based on this initial review, I have both site-specific (proposed well and road locations) and general concerns, which I will discuss below.

Lot 8 Concerns: Proposed wells 8-79, 8-86, 8-87, 8-88, and 8-89 and associated access roads are proposed close to Cherry Run, a High Quality – Cold Water Fishery (HQ-CWF). Proposed wells 8-86, 8-88, and 8-89 appear to be within 100-200 feet of Cherry Run. Furthermore, these wells as proposed would directly impact the North Country National Scenic Trail. I have verbally expressed these concerns with the Pennsylvania Department of Environmental Protection (PA-DEP), and it is my intent to work with you on-the-ground to try to mitigate these concerns.

Lot 9 Concerns: Proposed wells D-35, D-36, D-37, and D-41 and associated access roads appear to be proposed on steep slopes (greater than 40%). These wells are proposed approximately 300-400 feet from West Fork Run, a HQ-CWF. Proposed well D-42 appears to be on a gentler slope, and its location does not appear to be a concern. Proposed wells D-38, D-39 and D-40 and associated access roads appear to be within 100-200 feet of West Fork Run. I have verbally expressed these concerns with the Pennsylvania Department of Environmental Protection (PA-DEP), and it is my intent to work with you on-the-ground to try to mitigate these concerns.

Pits

The Plan of Operations for Duhring's proposals in Lots 8 and 9 state the following:

Construction of the new roads and well locations will utilize stone from the existing pit located adjacent to F.R. 163 on Lot 9. Alternatively, Duhring is prepared to explore for and open a new pit in the vicinity of the work to be performed. Adequate stone is prevalent adjacent to where the work is to be performed and if, for any reasons, the use of stone from the Lot 9 pit is not mutually satisfactory, Duhring will communicate with



you as to Duhring's exploration for, location of, and development of the new stone pit. Tree removal at the stone pit may be necessary depending upon the pit location.

Please refer to the letter Ms. Leanne Marten, Forest Supervisor on the Allegheny National Forest, mailed to Oil, Gas and Mineral (OGM) operators dated March 28, 2008, regarding this matter. The Forest must follow procedures as outlined in 36 CFR 228 Subpart C and FSM 2850 before any removal of mineral material from pits located on National Forest System land occurs.

Timeframe

The District is currently reviewing and processing numerous well proposals that involve approximately 500 wells, each with a varying degree of complexity. The District attempts to process these well packages in order as they are received to be fair to each operator. Within that context, the District does endeavor to work as expeditiously as possible in reviewing all drilling proposals.

Duhring notes in the Plan of Operations:

The date of commencement of operations for the wells reference herein will be 60 days from the date of the ANF's receipt of this plan of operations.

Notwithstanding that statement, even if the Forest Service does not complete its review within that timeframe, entry onto National Forest System lands for purposes of conducting business without first obtaining written notice to proceed from the Forest Service is a violation of Federal law and regulation.

Timber Removal

In your submission you comment that the project will necessitate the removal of timber and that "the ANF is advised that it should market the aforesaid timber in as much as Duhring does not intend to purchase or otherwise handle the timber...the date of commencement of operations for the wells referenced will be 60 days from the date of the ANF's receipt of this plan of operations".

Since Duhring's proposals in Lots 8 and 9 reside within an existing timber sale boundary, Rock Run timber sale, the Forest Service will offer the timber to Highland Forest Resources, Inc. (Highland), which has the right of first refusal. If Highland declines purchasing the timber as additional volume to the Rock Run timber sale, timber settlement procedures will be followed. I have determined that timber harvest and removal by commercial sale would not meet the required time limits you have established due to such things as the length of time to process a package, length of time needed to complete the bid process, and length of time for a purchaser to actually implement the activity on the ground.

As you are aware, the timber settlement procedures provide for either purchase of the timber or the cutting, skidding and decking of timber by Duhring. As mentioned above, your recent correspondence states that Duhring does not intend to purchase the timber. Thus, the other option

would be for Duhring to execute a cut, skid, and deck agreement. I note that Duhring has availed itself of the latter option in dealing with the Forest Service in the recent past. Further information on these options and explanations has been submitted to you by the Forest Supervisor in memos dated March 12, March 26, and April 12, 2008.

Sheldon Winters, OGM Administrator on the Bradford Ranger District, will be contacting you within the next two weeks to schedule a field visit. I will join Mr. Winters for this field visit. Furthermore, you can contact Mr. Winters at (814) 363-6032 to get an update regarding Duhring's proposals at any time throughout the review process. If you have any questions or comments, you can call me, at (814) 363-6098 or send an email to me at ascardina@fs.fed.us.

Sincerely,

/s/ Anthony V. Scardina
ANTHONY V. SCARDINA
District Ranger