

Mr. Hal Brill

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April 18, 2012

Mr. William H. Stallings
Chief-Transportation, Energy, and Agricultural Section
Anti-Trust Division
U.S. Department of Justice
450 Fifth Street NW
Suite 8000
Washington, D.C. 20530

Subject: Civil Action No. 12-CV-00395-RPM-MEH
Ragged Mountain Gas Drilling Tract near Paonia, CO

Dear Mr. Stallings:

It has come to my attention that you are willing to consider taking another look at the proposed settlement for the above Civil Action. This is very good news! I am writing as a local citizen, and also as a businessman who wants to see all companies play by the rules. I work as an investment advisor and I am closely regulated by government agencies. If I was caught doing something like this, I would be out of business, and most likely in jail. Signing an agreement just before the lease, then splitting the profits, is a blatant insult to all those who operate above the law.

I am deeply concerned about the fairness of the settlement, which would only require a payment of \$550,000, with no admission of guilt. Thanks to the bravery of whistleblower Tony Gale, and some recent reporting in the *Delta County Independent*, the public is now finding out about the shadowy deal that was put together by two energy corporations.

Today, our valley is confronted with a barrage of proposals from the oil & gas industry that threatens this small, peaceful and sustainable farming community. Our environment, farming culture and local economy are threatened by the explosion of gas operations in our watershed. Many of us are outraged to discover that the origins of gas leasing in our area were conducted with deception and intent to defraud the American people of revenue that we were entitled to.

Here are my main concerns:

1. **Inadequacy of the penalty.** A fine of \$275,000 amounts to a slap on the wrist for a corporation of this size, and represents only a fraction of the profit that they have/will realize from the leases. This is the wrong message to be sending to other companies who may consider trying

this same trick. We all know that some companies will deliberately risk breaking the law, secure in the knowledge that even if they are caught, the penalties will amount to less than the cost of operating legally and ethically. Today, our nation is caught up in a "gas boom", with underfunded government agencies straining to administer a barrage of new gas leases. *It is urgent that the Department of Justice send a message that says "colluding with one's competitors to defraud the American People will not be tolerated, and when discovered will be prosecuted to the full extent of the law."*

2. **Tip of the iceberg.** I have not had the time to delve into the cascading series of events that have taken place since this alleged conspiracy transpired, and not trained to understand the complexities. But I believe that an investigation is warranted into how these two companies have conducted their transactions. These two companies operate the Bull Mountain pipeline jointly, and are somehow dividing the spoils of gas leasing in the Bull Mountain. Currently, the BLM is seeking comment on SG Interest's proposal to drill up to 146 new wells in this area. (see NEPA # DOI-BLM-CO-150-2009-0005 EA) Meanwhile, Gunnison Energy Corporation is one of the parties that requested the BLM to open up new leases nearby. (NEPA #: DOI-BLM-CO-S050-2012-0009-EA) *The Department of Justice should step in and delay these requests to allow time for an adequate investigation.*
3. **Un-do the fraudulently obtained leases.** I was taught that when I stole something, I had to give it back. This has not been done with the leases – both companies are keeping them, without any penalty above what they should have paid from the get-go. *These leases should be cancelled; and if it is too late to cancel the leases (i.e. if they have drilled these parcels), then the U.S. Government should be considered a co-owner of the leases, and a portion of the profits from them distributed from the companies to the government.*
4. **Intimidation of whistleblower.** It is alarming to read the comments from the companies, that they are merely paying the penalty to avoid legal expenses, and not admitting wrongdoing. At the same time, the *Delta County Independent* reports that they have no problem hiring attorneys to go after Tony Gale, who was brave enough to risk his career to alert prosecutors to this event. (See *Gunnison Energy Corporation vs. Gale, et al*, District Court, City and County of Denver, Case No. 09CV6725). *The Department of Justice should act to protect whistleblowers from intimidation.*
5. **Relationship to the Bear Ranch Land Exchange.** In the new lease proposal from SG Interests, wells and a pipeline are proposed on the boundary of a property known as the Buck Ranch. I am enclosing a copy of the map. The Buck ranch is indicated with a blue border. On its western border, gas wells and a pipeline are proposed. It is obvious from the map that SGI has gone to the trouble of skirting the Buck ranch. The Buck Ranch is now owned by Bear Ranch; both Bear Ranch and Gunnison Energy Corporation are owned by William Koch. Bear Ranch is proposing to create recreational trails on the Buck Ranch to replace the access that they wish to remove from the public through their proposed land exchange. *I request that the Department of Justice inquire as to how these parties arrived at such curious configuration for their proposed gas operations.*

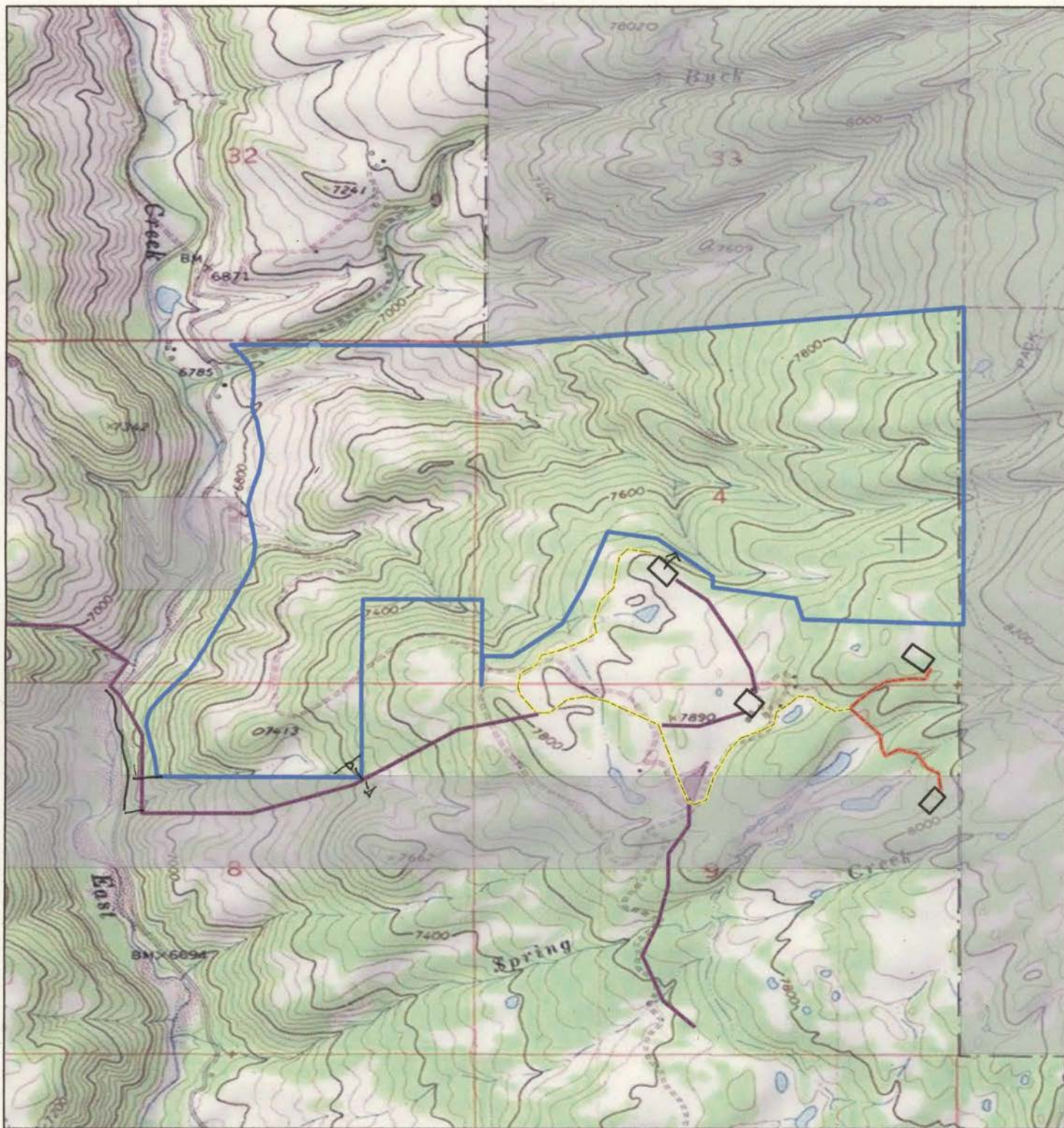
In summary, there is adequate rationale to set aside the proposed settlement. A thorough investigation should be launched that seeks to uncover all the facts about the original allegation, as well as the continuing relationship between the two accused corporations. If criminal activity is uncovered, then criminal prosecution should be on the table.

This issue is of paramount importance to our local region. But it is not only a local issue. As a financial advisor, I am keenly aware that the current boom in natural gas production in the U.S. has reached a fever pitch. It is far too easy for unsavory participants to try to game the system. Allowing SG Interests and Gunnison Energy Corporation to get off easy sends exactly the wrong message at this crucial time. Energy production must be done in a responsible way, both environmentally and ethically. This is a golden opportunity for the Department of Justice to send a strong clear message that you are watching out for the interests of all U.S. Citizens, and will not tolerate violation of U.S. law, or sign off on settlements that do not achieve justice for all.

Sincerely,

A handwritten signature in cursive script that reads "Hal Brill". The signature is written in dark ink and is positioned above the printed name.

Hal Brill, President



Locations and boundaries are approximate.

Spatial Data created from DOI-CO-150-2009-0005
EA Bull Mountain Preliminary Environmental
Assessment, pg. 21. March 22, 2012

**Bull Mountain Unit Master Development
Alternative Plan #1 Preliminary
Environmental Assessment**

Legend

- Public Land
- Bull Mtn. CE Boundary
- Proposed Gas Pads
- Proposed New Pipeline
- New Road/Road Improvement
- Existing Road

Map created: 4/9/2012

