

April 17, 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

Also attention: Ms. Sarah Wagner

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

Dear Mr. Stallings and Ms. Wagner,

I am writing to ask you to withdraw the proposed settlement agreement in the case of DOJ vs. SG Interests and Gunnison Energy Corporation for the following reasons:

1. GO DEEPER: The two firms are major participants in gas drilling in the North Fork Valley. These four leases are far from their only leases. They together operate the Bull Mountain Pipeline. At the least, DoJ should investigate through sworn testimony whether their bidding co-operation has been limited to these four lease auctions, which date back to 2004 and 2005, or whether there has been other cooperation. There was no indication in the Federal Register notice that DoJ had looked at BLM auctions beyond the four brought to the public by Mr. Anthony Gale. Those four leases should have been a starting point; not an end point.

2. NO DETERRENCE: The two companies maintain that they have done nothing wrong, and that they are only agreeing to the settlement because they can't afford or don't want to spend money on litigation. (I am attaching one of many, many newspaper stories in this region in which they make this claim of innocence often coupled with a claim that they are being bullied by the DoJ.) Therefore, your proposed settlement has had no effect in changing the firms' behavior.

3. HONORED MEMBERS OF THE COMMUNITY: Eric Sanford, who represents SG Interests, serves on the Southwest Regional BLM RAC (Resource Advisory Council). He recently appeared with BLM officials out of Montrose, CO,

to provide information to the public on gas drilling. So we have a high official of SG Interest who officially gives advice to the BLM Montrose office: The office that administered the four “arranged” bids. Imagine how this looks to citizens.

3. SGI and GEC KEEP THE LEASES: That is particularly true because the proposed settlement allows the firms to keep the four leases they obtained through the alleged cooperation. It seems peculiar and unfair for two companies that violated the Sherman Anti-Trust Act to keep the spoils of their actions.

4. CONTRAST THIS WITH THE TIM DeCHRISTOPER CASE: The present case contrasts starkly with that of Tim DeChristopher – a Utah resident who more or less on the spur of the moment went into a BLM natural gas lease sale and entered bids he had no intention of honoring. He is currently serving a two-year federal sentence in the federal Satellite Camp in Herlong, CA. He is also subject to heavy fines. I have asked his attorney, Pat Shea of Salt Lake City, to contact you with the details of Mr. DeChristopher’s case. It seems wrong to sentence one man to prison for what was basically an act of civil disobedience and then to slap the wrists of two major corporations for plotting with the help of attorneys to underbid on gas lease auctions. Moreover, these wildly different outcomes involve the same two federal agencies: The BLM and the Department of Justice.

5. WHAT ABOUT THE ATTORNEYS? The firms claim in news accounts that they acted on the advice of their attorneys, who drew up the memoranda of understanding that the DoJ has charged violated Sherman. Did the attorneys work to help their clients break the Sherman Anti-Trust Act? Is this an area DoJ should look into?

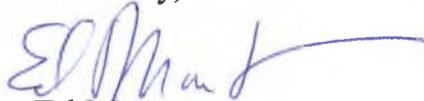
6. THE BEAR RANCH LAND EXCHANGE: Finally, there is the matter of the proposed congressional land exchange that Mr. Koch, owner of GEC, has been attempting to achieve for the last four years. It involves his two private ranches in the Ragged Mountain Basin (4,500 acres in total) and 1,861 acres of BLM land he wishes to add to those ranches. The initial attempt was made in the 2010 congressional season via HR 5059 (Rep. J Salazar) and S 3537 (Sens. Udall and Bennet). It looks to me (your GIS specialists will do a better job than me) that at least some of the four leases in question underlie some of Mr. Koch’s private land and some of the BLM land he wishes to acquire. This proposed land exchange, which was beat back by this valley’s opposition in 2010, is part of what has drawn so much attention to your proposed settlement. It is interesting that Mr. Koch purchased his ranches from Richard N. and Marsha Lee, I believe of Helper, Utah, after SG Interests and GEC had obtained the four leases. I cannot begin to figure

out what is going on, but it does seem that some gigantic game of Monopoly is being played with private land and federal land and natural resources in the Ragged Mountain Basin.

In summary, I think the most basic requirements of justice and fairness require that the Department of Justice withdraw the proposed settlement, investigate gas lease bidding in the area in much more detail, and consider the stark contrast between the criminal charges brought by DoJ against Mr. DeChristopher and the financial slap on the wrist brought against GEC and SGI.

Mr. DeChristopher is a felon in prison and GEC and SG Interests personnel proclaim their innocence with one even serving as an advisor to the very agency that DoJ says they conspired against in violation of the Sherman Anti-Trust Act. This "justice" has been administered by the same two federal agencies.

Sincerely,



Ed Marston

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ENC:

1. Delta County Independent anti-trust story: 2.22.12
2. Map of the proposed land exchange, which includes the general area of the four leases. The land labeled Bear Ranch is owned by Mr. Koch. The yellow land is the BLM land he has been seeking via a congressional land exchange.

Federal antitrust lawsuit settled



Written by Hank Lohmeyer Delta County Independent

Wednesday, 22 February 2012 00:00

According to the United States Department of Justice (DoJ), Gunnison Energy Corporation (GEC) and SG Interests of Houston have agreed to pay a total of \$550,000 to settle a federal antitrust lawsuit.

Under terms of the agreement, each of the companies will pay \$275,000 without admitting to any wrongdoing.

Brad Robinson, president of GEC, said the settlement will enable the company to avoid even more expense in legal fees defending itself.

Robinson explained to the Delta County Independent (DCI), "With regard to the DoJ settlement, GEC attempted in good faith to comply with the bidding rules. Our bidding agreement with SG was vetted with both GEC's lawyers and SG's lawyers and we believe that our bids met the appropriate legal requirements. However, the DoJ believes differently and GEC decided to settle the allegations to avoid the legal costs associated with the DoJ's investigation."

Robbie Quinn, vice-president for SG, explained his company had similar reasons for settling the DoJ complaint. He explained for the DCI, "SG entered into the settlement agreement because the government investigation was getting quite expensive. The government spent almost two years investigating SG and never explained why they thought our conduct was improper. SG entered into a joint venture type agreement with GEC to purchase oil and gas leases at BLM auctions, which is standard industry practice for sharing the risk and expense of oil and gas exploration and development. SG fully cooperated in the investigation and produced over 100,000 pages of documents. SG would rather settle and use our money to drill instead of continuing to respond to government investigations."

The Department of Justice issued a statement on the settlement which said it is the first federal challenge to an anti-competitive bidding agreement for mineral rights. GEC and SG chose to resolve the suit "without admitting liability," the DoJ statement said.

The fed's version of events also states, "In 2005, the two companies entered into an agreement that only SG would bid at the auctions and then the acreage would be split between the two companies."

The bidding involved in the fed's complaint was for minerals lease acreage in Gunnison County, the DoJ said.

In a separate matter, the DCI has been provided with copy of a 2008 complaint against GEC and SG involving their combined Ragged Mountain Area operations. The complaint by Riviera Drilling and Exploration charged that GEC and SG engaged in a range of anti-competitive practices aimed at controlling the transport of natural gas out of the Ragged Mountain Area, and

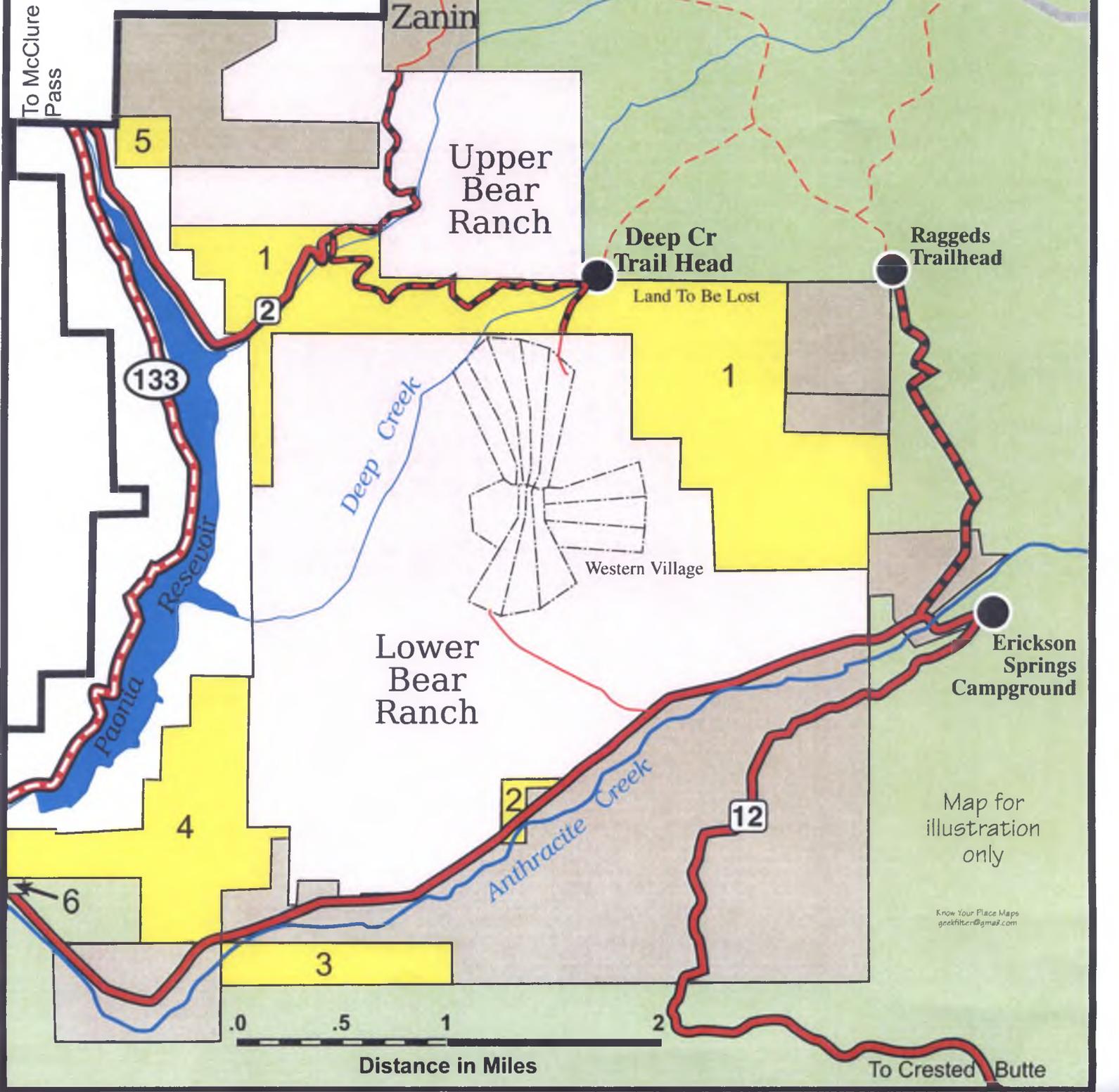
at driving Riviera out of business.

Prior to the scheduled trial date, Riviera filed a voluntary petition for bankruptcy. That was followed by Riviera allowing its attorney to withdraw from the case, then by a series of other procedural missteps by Riviera's management which led to the case being dismissed in federal district court.

GEC and SG were preparing to defend against Riviera's complaint when it was thrown out by the court. Asked if GEC denied Riviera's charges, Robinson replied, "Yes, GEC denied all of Riviera's allegations."

Quinn said, "Regarding the Riviera suit I would have to review our answer to the complaint and other filings in the suit to address all of the Riviera allegations. In sum, SG denied that it violated the Sherman Act as Riviera alleged."

-  County Rd
-  State Hwy
-  Bear Ranch
-  Other Private
-  BLM
-  USFS
-  State Rec Area
-  Subdivision
-  Public Access Roads
-  Private or Disputed Roads
-  State Highway
-  County Roads
-  Trail Head



April 18, 2012

Mr. William H. Stallings
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Anti-Trust Division
U.S. Department of Justice
450 Fifth Street NW
Suite 8000
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Also attention: Ms. Sarah Wagner

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

Dear Mr. Stallings and Ms. Wagner,

Please accept this letter as an addition to my letter on this same case dated April 17, 2012, and incorporate it as an addition to my Item 5, concerning the work of Gunnison Energy Corporation's and SG Interests' attorneys.

In the February 22, 2012, issue of the Delta County Independent, GEC executive Brad Robinson is quoted as saying:

"With regard to the DoJ settlement, GEC attempted in good faith to comply with the bidding rules. Our bidding agreement with SG was vetted with both GEC's lawyers and SG's lawyers and we believe that our bids met the appropriate legal requirements. However, the DoJ believes differently and GEC decided to settle the allegations to avoid the legal costs associated with the DoJ's investigation."

In your Federal Register notice (2.23.12), you made the following statements:

12. Conflicting efforts by SGI and GEC to acquire assets held by BDS resulted in litigation between Defendants in 2004. In September 2004, SGI submitted expressions of interest to the BLM for additional lands within the Ragged Mountain Area, including parcels adjacent to leases held by GEC. 13. In October 2004, GEC and SGI met to discuss the prospect of settling the litigation and entering into a collaboration to develop the Ragged Mountain Area. The potential collaboration contemplated joint acquisition of the BDS assets, improvements to the existing BDS pipelines, and joint development of new pipelines to serve the area. These discussions, however, quickly foundered.

Clearly, these two companies did not trust each other. The purpose of having their attorneys draw up the memoranda of understanding was not to ensure their legality, but to ensure that the two companies could not double-cross each other.

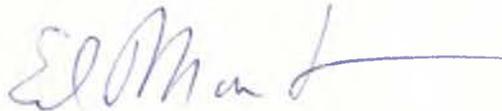
The purpose of the MOUs were so that each could hold the other to the agreement to equally divide the leases after SGI obtained them through the rigged bidding.

It makes Mr. Robinson's assertion to the *Delta County Independent* obviously false. His statement shows yet again that the companies have not accepted their guilt nor repented of their actions. This makes it all the more important that the Department of Justice reject the current settlement agreement and undertake a much more rigorous prosecution.

It also calls into question the actions of the law firms that advised GEC and SGI. Obviously, any lawyer would know that these firms were undertaking illegal activities intended to defraud the federal government. And yet their respective attorneys participated in drawing up an agreement designed to enforce four illegal actions. Therefore, the future proceedings by DoJ against these two firms should include proceedings against the individual attorneys and their firms.

Thank you for your attention to this letter.

Sincerely,

A handwritten signature in blue ink, appearing to read "Ed Marston", with a long horizontal flourish extending to the right.

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April 19, 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

Also attention: Ms. Sarah Wagner

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

Dear Mr. Stallings and Ms. Wagner,

Please accept this as a second addition to my original letter of April 17, 2012, commenting on the proposed settlement agreement between the Department of Justice and Gunnison Energy Corp. and SG Interests.

I just learned that Gunnison Energy Corp. is suing Mr. Anthony Gale, the former Vice President of GEC, for violating the non-disclosure agreement with GEC by releasing the memoranda of understanding that led to the non-competitive BLM natural gas bids in 2004 and 2005.

I have only seen the news story out of the March 14, 2012, Delta County Independent, which states that such a lawsuit has been filed by GEC.

The details of the GEC lawsuit against Mr. Gale can be found at the following: Gunnison Energy Corporation vs. Gale, et al, District Court, City and County of Denver, Case No. 09CV6725.

I have not yet read the filings, but it appears to show again that DOJ's settlement agreement has not achieved what I would hope is one of its goal: To deter similar illegal actions in the future. Instead, GEC appears to have decided that what it must do is to punish the person who has revealed its 2004-2005 behavior, perhaps in order to deter future revelations .

It therefore makes it all the more important that DoJ cast aside this proposed settlement agreement, and investigate other gas lease auctions, take back the four leases, and raise the penalty stakes.

Sincerely,



Ed Marston

POB 279

Paonia, CO 81428