



JENNIFER M. GRANHOLM
GOVERNOR

DEPARTMENT OF NATURAL RESOURCES

LANSING

REBECCA A. HUMPHRIES
DIRECTOR

October 4, 2007

Dear State of Michigan Oil and Gas Lessee, Well Operator, or Royalty Remitter:

In a letter dated February 22, 2006, the Department of Natural Resources (DNR) provided notice to the above parties regarding the State of Michigan's (State) involvement in a class action lawsuit concerning oil and gas rights. Today's notice is to provide an update on the lawsuit, known as *Black Stone Mineral Co, LP v Michigan Department of Treasury* (Black Stone), and what the case may mean to your business.

The Black Stone case challenged the State's claim to oil and gas rights acquired by foreclosure of delinquent property taxes where oil and gas rights were owned separately, or "severed" from the surface ownership and whether owners of severed mineral rights were entitled to notification of the foreclosure. At its hearing on July 3, 2007, the Antrim County Circuit Court approved the settlement agreement (Settlement) reached by the parties. The terms of the Settlement include the return of previously severed oil and gas rights to the class members, for those oil and gas severed rights thought to have been acquired by the State through tax foreclosures occurring after 1975. The State will also relinquish any claim to bonus, rent, royalties, and suspended royalties to the class parcels, as well as, "take all reasonable steps. . . to assist Class Counsel in the recovery of Suspended Revenues held by the operators, owners, or producers on lands covered by the State Leases."

After both parties reviewed numerous ownership records, oil and gas leases, and production records covering thousands of acres of property, the final class was reduced from 250,000 acres to approximately 3,000 acres where the rights had been severed after 1975. The lists identifying these class parcels are available on our website for your use in determining the impact, if any, on your company. A sample list is enclosed with the full lists available for downloading as a "PDF" or in an editable Microsoft Excel format. To obtain a copy of the class parcels, you may go to www.michigan.gov/dnr then under "Sales & Leases" to "What's New" where there will be a link that will take you directly to the lists under "Minerals - Oil & Gas."

What this means to your company will vary. We ask that you review the class parcel lists to determine if your business has ever leased any of the parcels; paid the State any revenue related to the parcels, or is holding suspended revenue on any of the parcels. To assist in your review, the lists include any known State of Michigan leases and individual wells or unitized areas that have been identified through review of our records and database.

- A. If your review results in your firm not having any involvement with the class parcels, we ask that you acknowledge that finding by signing the designated area on the enclosed response form and returning the form to the address provided.
- B. If the review results in your business having been involved with one or more of the class parcels, we ask that you acknowledge that finding by signing the designated area on the enclosed response form and returning the form to the address provided. Then, several things will be occurring in the near future as described below:

NATURAL RESOURCES COMMISSION

Keith J. Charters, Chair • Mary Brown • Hurley J. Coleman, Jr. • Darnell Earley • John Madigan • J. R. Richardson • Frank Wheatlake

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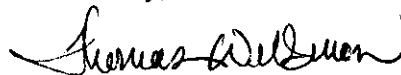
1. Under the Settlement, the Lessee is to certify to the court, in writing, the amount of any and all suspended revenues attributable to the class parcel(s). The Lessee is also required to pay the class member all suspended revenues, and agree, in writing, to thereafter make all payments due under said State lease to the class member.
2. To change the Lessor, from the DNR to the class member, a transfer order will be executed for any class parcel that is known to be associated with a unitized area or individual well.

The transfer order will include language that addresses any prior payments the Lessee made to the DNR will be paid directly, by the DNR, to the class counsel for payment to the class member. The Lessee will not be held liable for payment of any revenue paid to the DNR prior to the October 31, 2007 effective date of the transfer order.

3. A Lease Ratification will also be executed by the new Lessor and provided to the Lessee once the requirements described under number 1 have been met.
4. Payments to the DNR for the class parcel(s) are to cease as of October 31, 2007.
5. Please note that some leases may also contain non-class parcels. Payments for the non-class parcels are to continue to be made to the DNR. If the State lease includes non-class parcels, your firm will be required to submit a new Division Order or division of interest calculation for our review.

We appreciate your cooperation in reviewing and responding to this letter to help finalize the Settlement. Information provided will be forwarded to the class counsel. Written responses are to be returned to my attention, by October 22, 2007, at *Department of Natural Resources, Forest, Mineral and Fire Management, P.O. Box 30452, Lansing, Michigan 48909-7952* with overnight deliveries addressed as *530 West Allegan, Lansing, Michigan 48933*. If you have any questions regarding this matter, or wish to send your response electronically, you may contact Ms. Mary Uptigrove, Unit Supervisor, Revenue Verification Unit, at 517-373-0576 or uptigrom@michigan.gov or you may contact me at the number below or at wellmant@michigan.gov.

Sincerely,



Thomas Wellman, Manager
Mineral and Land Management Section
Forest, Mineral and Fire Management
517-335-3251

Enclosures

cc: Ms. Paula Manis, Worman, Dixon & Manis, PLC
Mr. Kevin Smith, Assistant Attorney General
Ms. Lynne Boyd, DNR
Ms. Julie Manson, DNR
Ms. Mary Uptigrove, DNR

Response to the October 4, 2007 Department of Natural Resources notice regarding the State of Michigan's involvement in a class action lawsuit concerning oil and gas rights.

Acknowledgement of Class Parcel Review:

My firm has reviewed the class parcel lists for *Black Stone Mineral Co, LP v Michigan Department of Treasury* and, to the best of my knowledge, I/we have not had any involvement in the leasing of the oil and gas rights, oil and gas production, nor remitting or suspending payments related to the oil and gas rights for the parcels listed.

_____ Date _____ (Signature)

(Company, Partnership, Business Name)

OR:

My firm has reviewed the class parcel lists for *Black Stone Mineral Co, LP v Michigan Department of Treasury* and has determined that I/we have been involved in the leasing of oil and gas rights, oil and gas production, and/or remitting or suspending payments related to the oil and gas rights for certain parcel(s) listed. I am returning the class parcel lists, with the specific parcel(s) identified where I/we have had involvement, and have included the information requested. I understand that, in the near future, I will be receiving a Transfer Order and Lease Ratification, which will direct my firm as to who should receive future revenues related to the specific parcel(s).

_____ Date _____ (Signature)

(Company, Partnership, Business Name)

Please return this response, and compiled class parcel information if applicable, by October 22 2007, to Mr. Thomas Wellman at *Department of Natural Resources, Forest, Mineral and Fire Management, P.O. Box 30452, Lansing, Michigan 48909-7952* with overnight deliveries addressed as *530 West Allegan, Lansing, Michigan 48933*. Electronic responses may be sent to wellmant@michigan.gov or uptigrom@michigan.gov.