June 15, 2009

N.Y.S. Department of Environmental Conservation
182 East Union-Suite 3
Allegany, New York 14706

Re: Eddy Water Well

Dear Mr. Jandrew:

The purpose of this letter is to update the NYSDEC on the progress being made with regard to David Eddy's residential water well.

1) May 11, 2009 U.S. Energy collected water samples from Mr. Eddy's water well for analytical testing. U.S. Energy contacted Culligan of Bradford to also test the water.

2) May 14, 2009 Culligan informed U.S. Energy that Mr. Eddy would not make himself available until the evening of May 18, 2009 for the testing.

3) May 19, 2009 Culligan contacted U.S. Energy and communicated their test indicated trace amounts of oil and recommend the installation of a carbon water treatment system. U.S. Energy instructed Culligan to proceed with the installation.

4) May 19, 2009 U.S. Energy received the analytical testing from Paradigm Environmental Services, Inc of Rochester. The testing detected no petroleum in the water from the Eddys' water well.

5) May 20, 2009 U.S. Energy instructed Culligan to install a water system and agreed to pay for the installation and maintenance of the system until periodic testing proved the water not impacted.

6) U.S. Energy has put Mr. Eddy and his family in a hotel several nights during the initial impact. U.S. Energy has been and continues to supply the home with Culligan bottled water.

7) U.S. Energy has offered Mr. Eddy compensation which he has refused.
8) U.S Energy was contacted by Culligan on June 10, 2009 and communicated the system was scheduled to be installed on June 12, 2009 if Mr. Eddy's schedule allowed.

9) U.S Energy has communication with Mr. Eddy almost daily. During each phone call Mr. Eddy has been informed of the testing results, water treatment installation progress and our activities in the area.

If you should need further information please contact me at my office at 716-636-0401 ext. 248 or contact me on my cell phone at 716-697-1564.

Sincerely,
U.S. Energy Development Corp.

Jerry Jones
Operations Manager