

November 8, 2011

John Benedict, Director
Division of Air Quality
WV Department of Environmental Protection
601 57th Street
Charleston, West Virginia 25304

Re: Bluescape Resources Company LLC
Notice of Violation
MWV Rupert Well Flare Site

Dear Mr. Benedict:

This letter is in response to the above-referenced Notice of Violation ("NOV") dated October 26, 2011, issued to Bluescape Resources Company, LLC ("BRC").¹ The Notice of Violation states:

The DAQ has determined the natural gas well flare located at the MWV Rupert Well Flare Site does not meet the requirements as a temporary flare stack under 45CSR6, specifically, Section 6.1. This determination is based on the flare stack operating continuously since August 28, 2011, which exceeds the maximum number of cumulative days of operation allowed within a twelve (12) consecutive month period in accordance with Section 6.1 of 45 CSR6. Therefore, the Company has violated 45CSR6, in particular, Section 6.1 for not obtaining a permit in accordance with the provisions of W. Va. Code §22-5-1 et seq. and 45CSR13 (Rule 13).

The NOV requires BRC to make a written response within ten (10) days after receipt. BRC's response to the NOV is provided herein.

(1) A detailed explanation of the cause(s) of the condition(s) leading to the cited violation or a description of the action(s) being taken or to be taken to ascertain the cause(s) for noncompliance.

¹ Bluescape Resources Company, LLC, is the parent company for BRC Operating Company, LLC, the operator of the MWV well flare site. The NOV should have been addressed to BRC Operating Company, LLC. This response is being submitted on behalf of both companies, who are collectively referred to herein as "BRC." Future correspondence and action related to this NOV will be the responsibility of BRC Operating Company, LLC.

The MWV Rupert Well Flare Site (the "Site") consists of a series of three natural gas wells that flow to a single flare stack. The Site is located in a remote part of Nicholas County, and to date no natural gas pipelines have been installed on or in the vicinity of the Site. BRC installed the three wells on the Site to determine whether the acreage that it has leased from MeadWestvaco Corp. are economically viable. If the wells, and others planned in the surrounding area of Nicholas County, are proven to have sufficient productivity to be economically viable, then BRC will work to install a natural gas pipeline to allow the production from these reserves to reach a commercial market. The Site is the first location in Nicholas County to test the viability of the natural gas reserves in the area. Because no pipeline exists in the area, BRC must flare the natural gas that is produced by the three wells at the Site.

Prior to installing the wells, BRC consulted with the Office of Oil and Gas of the West Virginia Department of Environmental Protection ("DEP"). BRC specifically informed the Office of Oil and Gas of the planned flaring at the Site and inquired whether any permits or approvals were required for the flaring activity. BRC also informed the Office of Oil and Gas of the planned duration of the flaring and of the general volume of gas expected to be flared. Two officials from the Office of Oil and Gas independently told BRC that the flare required no permits or approvals from DEP. Accordingly, based on the representations from DEP's Office of Oil and Gas, BRC believed that no permits or approvals were required for the natural gas flare at the Site.

(2) A statement of how long the condition(s) has existed.

The first of the three wells at the Site began producing methane around noon on August 29, 2011. The second and third wells began production on August 31, 2011, and September 3, 2011, respectively. Initial production was very low, and has increased to the current production levels over the past two months.

(3) A detailed explanation of the remedial measures that have been taken and will be taken to address the causes of noncompliance. For any remedial measure(s) not yet taken, provide expected date(s) for completion. If all remedial measures have been completed, provide the date that the Company believes that compliance with air quality requirements was achieved.

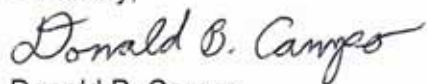
BRC is preparing a permit application pursuant to 45 CSR 13, which will be submitted by November 15, 2011. The application is based upon standard AP-42 emission factors for industrial flares and natural gas combustion. BRC believes that these emission factors are likely to grossly overestimate the emissions of CO and NO_x from the flare, as the gas being burned in the flare is almost entirely methane and therefore likely to burn cleanly. If more appropriate emission factors were available, it is possible that BRC would not require a permit pursuant to 45 CSR 13 for the flare. In the absence of appropriate emission factors, BRC is submitting the permit application for the emissions from the flare.

BRC cannot shut in the wells or the flare without suffering irreparable financial damage and harm. The horizontal wells require extensive time and resources to install. The wells are generating data on natural gas reserves in a portion of the State that has previously not been tested. The information being gathered is crucial not only to BRC, but to the mineral owners and other lessees in the area. BRC commenced the planned

activities in full consultation with the Office of Oil and Gas and had no reason to question the information provided to it by that agency.

BRC requests a meeting with DEP to discuss this matter and an appropriate resolution of the issues associated with the NOV at the earliest opportunity. Thank you for your assistance in this matter. Should you have any questions, please call me.

Sincerely,



Donald B. Campo
Executive VP + Chief Operating Officer