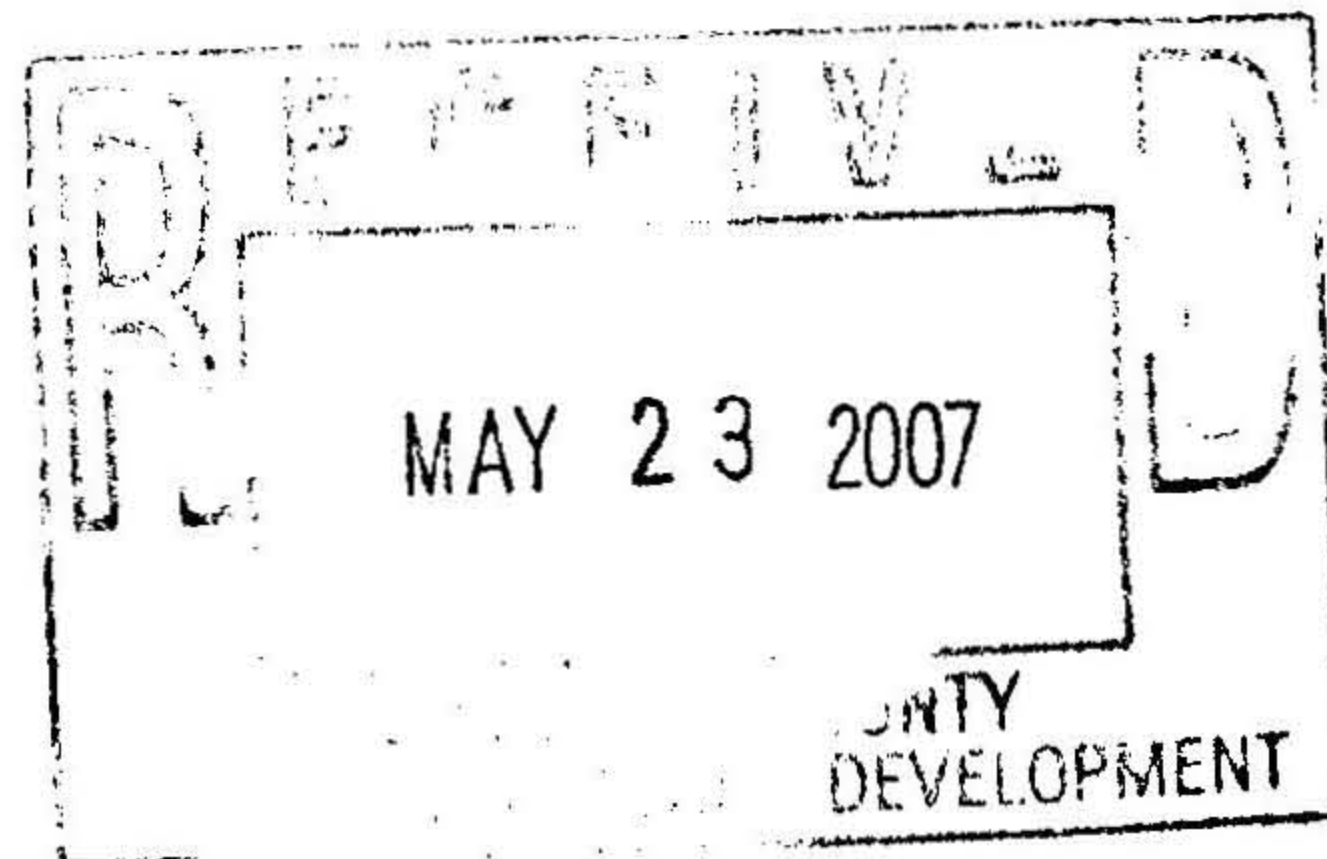




**Pope Resources**  
A Limited Partnership

May 21, 2007



19245 Tenth Avenue Northeast  
Poulsbo, Washington 98370-7456  
(360) 697-6626  
(360) 697-1156 FAX

Mr. Al Scalf, Director  
Jefferson County Community Development  
621 Sheridan Street  
Port Townsend, WA 98368

RE: Mineral Resource Issues

Dear Mr. Scalf-

Pope Resources has entered into an agreement with Iron Mountain Quarry to lease an area of approximately 140 acres for hard rock mining. This lease area is shown on the attached drawing prepared by Layton & Sell. The area in question is located immediately adjacent to and south and east of the existing Shine Quarry on the north side of SR 104 about 4 miles west of the Hood Canal bridge. This lease area lies mostly within Section 29, T28N, R1E, W.M., but the lease area includes small portions of Sections 30, 31, and 32. The lease area is on land designated Commercial Forest in the Jefferson County Comprehensive Plan and is covered by a mineral resource designation for the hard rock mineral deposit in this location.

The purpose of this letter is to clarify that all of the area proposed to be leased to Iron Mountain Quarry is within an area of known mineral deposits that Pope Resources and its predecessor, Pope and Talbot, owned and intended to be used for hard rock mining from the time the first mining occurred at this location in the 1970's. Attached to this letter are aerial photographs from the Washington State Department of Natural Resources showing the history of mining at this location. The 1979 aerial photo shows mining activity at the original Shine quarry location, which is south of the current Shine quarry and is within the area to be leased to Iron Mountain Quarry. In fact, this original Shine quarry site has been used continuously for mining-related activities until recently when the lease agreement was signed with Iron Mountain Quarry.

We understand that you met with Jim Burnett and his attorney on May 11, 2007, to discuss the status of mineral extraction rights at this location. Pope Resources wants to be sure that Jefferson County understands that Pope Resources considers all of the Iron Mountain Quarry lease area to be part of the area of non-conforming mineral extraction rights that have been associated with this property since the 1970's. Pope Resources believes that the "diminishing asset doctrine" adopted by the Washington Supreme Court in 2001 (*City of University Place v. McQuire*, 144 Wn.2d 640) applies to all of the mineral resources located in the 140 acres to be leased to Iron Mountain Quarry.

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Pope Resources strongly supports Iron Mountain Quarry's efforts to proceed with mineral resource mining operations within the 140-acre proposed lease area, which has been owned and intended for mineral resource mining operations since at least 1979. We understand that the "diminishing asset doctrine" as applied to this 140 acre area would confirm the right of Pope Resources and its lessees to continue mineral resource operations in this area but would not eliminate the need for permits and approvals to meet environmental requirements such as air quality, storm water management, and noise.

We appreciate Jefferson County's attention to our request for confirmation that the "diminishing asset doctrine" applies to the 140-acre mineral resource area that has been owned and intended for mining and processing.

Please feel free to contact me if you have any questions about this information.

Very truly yours,



David L. Nunes,  
President and CEO of  
Pope MGP, Inc., Managing Partner of  
Pope Resources, a Delaware limited partnership

Enc.

DLN/sgs

cc: Mr. James Burnett w/out encl.  
Mr. Tom Kametz w/out encl.  
Mr. Keith Moxon w/out encl.  
Mr. Patrick Raymond w/encl.

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