

<p>DISTRICT COURT, CITY AND COUNTY OF DENVER, COLORADO 1437 Bannock Street Denver, CO 80202</p>	<p style="text-align: center;">▲ COURT USE ONLY ▲</p>
<p>Plaintiff: PENNSYLVANIA AVENUE EVENT DRIVEN FUND, On Behalf of Itself and All Others Similarly Situated,</p> <p>v.</p> <p>Defendants: UNITED STATES EXPLORATION, INC., RICHARD L. ROBINSON, THOMAS W. GAMEL, ROBERT J. MALONE, BRUCE D. BENSON and BRUCE A. HOCKING.</p>	
<p>DYER & SHUMAN, LLP ROBERT J. DYER III (5734) 801 East 17th Avenue Denver, Co 80218-1417 Telephone: 303/861-3003 303/830-6920 (fax)</p> <p>Attorneys for Plaintiff</p> <p>[Additional counsel appear on signature page.]</p>	<p>Case Number:</p> <p>Division:</p> <p>Courtroom:</p>
<p>COMPLAINT BASED UPON SELF-DEALING AND BREACH OF FIDUCIARY DUTY</p>	

Plaintiff, by its attorneys, alleges as follows:

SUMMARY OF THE ACTION

1. This is a stockholder class action brought by plaintiff on behalf of the holders of United States Exploration, Inc. (“U.S. Exploration” or the “Company”) common stock against U.S. Exploration’s directors arising out of their attempts to provide certain U.S. Exploration insiders and directors with preferential treatment in connection with their efforts to complete the sale of U.S. Exploration to DGL Acquisition Corp. (the “Acquisition”). This action seeks equitable relief only.

2. In pursuing the unlawful plan to sell U.S. Exploration, each of the defendants violated applicable law by directly breaching and/or aiding the other defendants’ breaches of their fiduciary duties of loyalty, due care, independence, good faith and fair dealing.

3. In fact, instead of attempting to obtain the highest price reasonably available for U.S. Exploration for its shareholders, the individual defendants spent substantial effort tailoring the structural terms of the Acquisition to meet the specific needs of DGL Acquisition Corp. (“DGL”). Moreover, *after* the Company entered into a merger agreement and began to solicit shareholders with its *stale* “fairness opinion,” the Company admitted that its prior financial results were actually incorrect. In fact, the true results show that the Company’s net income actually grew between 2001 and 2002 by nearly 90%! Moreover, defendants now know the Company’s results for fiscal 2003, which remain concealed. This earnings revision and the Company’s fiscal 2003 results were not factored into the defendants’ decision and the fairness opinion is equally flawed as it too does not take into account the Company’s true earnings. The changes in the Company’s earnings are as follows:

Basic and diluted earnings per share:	Nine months ended 9/30/03	2002	2001
As originally reported	\$0.18	\$0.29	\$0.42
As restated	\$0.18	\$0.37	\$0.21

4. In light of the foregoing, the Individual Defendants must, as their fiduciary obligations require:

- Withdraw their consent to the sale of U.S. Exploration and allow the shares to trade freely – without impediments.
- Act independently so that the interests of U.S. Exploration’s public stockholders will be protected, including, but not limited to, the retention of truly independent advisors and/or the appointment of a truly independent Special Committee.

- Adequately ensure that no conflicts of interest exist between defendants' own interests and their fiduciary obligation to maximize stockholder value or, if such conflicts exist, to ensure that all conflicts be resolved in the best interests of U.S. Exploration's public stockholders.
- Update the Company fairness opinion.
- Disclose the Company's fiscal 2003 results.

5. In essence, the proposed Acquisition is the product of a hopelessly flawed process that was designed to ensure the sale of U.S. Exploration to one buying group, and one buying group only, on terms preferential to DGL and to subvert the interests of plaintiff and the other public stockholders of U.S. Exploration.

JURISDICTION AND VENUE

6. This Court has jurisdiction over defendants because they conduct business in Colorado and/or are citizens of Colorado, including defendants Richard L. Robinson, Thomas W. Gamel and Bruce D. Benson, who are residents of this county. This action is not removable.

7. Venue is proper in this Court because the conduct at issue took place and had an effect in this County.

PARTIES

8. Plaintiff Pennsylvania Avenue Event Driven Fund is, and at all times relevant hereto was, a shareholder of U.S. Exploration.

9. Defendant U.S. Exploration is a Colorado corporation. U.S. Exploration is a producer of oil and natural gas. The Company's oil and gas properties are located in the Wattenberg area of the Denver-Julesburg Basin in northeastern Colorado. U.S. Exploration operated 113 of the wells in which it owned an interest as of December 31, 2002. The Company owns 100% of the working interest in 36 of the 56 new wells in which it participated during 2002. Twenty-nine of those 36 wells are in a new area and are in various stages of being hooked up to a gathering system.

10. Defendant Richard L. Robinson ("Robinson") is a Board member of the Company.

11. Defendant Thomas W. Gamel ("Gamel") is a Board member of the Company.

12. Defendant Robert J. Malone ("Malone") is a Board member of the Company.

13. Defendant Bruce D. Benson ("Benson") is the President, CEO and Chairman of the Board of the Company.

14. Defendant Bruce A. Hocking ("Hocking") is a Board member of the Company.

15. The defendants named above in ¶¶10-14 are sometimes collectively referred to herein as the “Individual Defendants.”

DEFENDANTS’ FIDUCIARY DUTIES

16. In accordance with their duties of loyalty, care and good faith, the defendants, as directors and/or officers of U.S. Exploration, are obligated to refrain from:

(a) participating in any transaction where the directors’ or officers’ loyalties are divided;

(b) participating in any transaction where the directors or officers receive or are entitled to receive a personal financial benefit not equally shared by the public shareholders of the corporation; and/or

(c) unjustly enriching themselves at the expense or to the detriment of the public shareholders.

17. Plaintiff alleges herein that the Individual Defendants, separately and together, in connection with the sale of U.S. Exploration, violated the fiduciary duties owed to plaintiff and the other public shareholders of U.S. Exploration, including their duties of loyalty, good faith and independence, insofar as they stood on both sides of the transaction and engaged in self-dealing and obtained for themselves personal benefits, including personal financial benefits not shared equally by plaintiff or the Class.

18. Because the Individual Defendants have breached their duties of loyalty, good faith and independence in connection with the sale of U.S. Exploration, the burden of proving the inherent or entire fairness of the Acquisition, including all aspects of its negotiation and structure, is placed upon the Individual Defendants as a matter of law.

CLASS ACTION ALLEGATIONS

19. Plaintiff brings this action on its own behalf and as a class action pursuant to Colorado Rule of Civil Procedure 23 on behalf of all holders of U.S. Exploration stock who are being and will be harmed by defendants’ actions described below (the “Class”). Excluded from the Class are defendants herein and any person, firm, trust, corporation, or other entity related to or affiliated with any defendant.

20. This action is properly maintainable as a class action.

21. The Class is so numerous that joinder of all members is impracticable. According to U.S. Exploration’s Securities and Exchange Commission (“SEC”) filings, there are more than 18 million shares of U.S. Exploration common stock outstanding.

22. There are questions of law and fact which are common to the Class and which predominate over questions affecting any individual Class member. The common questions include, *inter alia*, the following:

(a) whether defendants have breached their fiduciary duties of undivided loyalty, independence or due care with respect to plaintiff and the other members of the Class in connection with the Acquisition;

(b) whether the Individual Defendants are engaging in self-dealing in connection with the Acquisition;

(c) whether the Individual Defendants are unjustly enriching themselves and other insiders or affiliates of U.S. Exploration;

(d) whether defendants have breached any of their other fiduciary duties to plaintiff and the other members of the Class in connection with the Acquisition, including the duties of good faith, diligence, honesty and fair dealing;

(e) whether the defendants, in bad faith and for improper motives, have impeded or erected barriers to discourage other offers for the Company or its assets; and

(f) whether plaintiff and the other members of the Class would suffer irreparable injury were the transactions complained of herein consummated.

23. Plaintiff's claims are typical of the claims of the other members of the Class and plaintiff does not have any interests adverse to the Class.

24. Plaintiff is an adequate representative of the Class, has retained competent counsel experienced in litigation of this nature and will fairly and adequately protect the interests of the Class.

25. The prosecution of separate actions by individual members of the Class would create a risk of inconsistent or varying adjudications with respect to individual members of the Class which would establish incompatible standards of conduct for the party opposing the Class.

26. Plaintiff anticipates that there will be no difficulty in the management of this litigation. A class action is superior to other available methods for the fair and efficient adjudication of this controversy.

27. Defendants have acted on grounds generally applicable to the Class with respect to the matters complained of herein, thereby making appropriate the relief sought herein with respect to the Class as a whole.

BACKGROUND TO THE PROPOSED ACQUISITION

28. U.S. Exploration is a producer of oil and natural gas. The Company's oil and gas properties are located in the Wattenberg area of the Denver-Julesburg Basin in northeastern Colorado. U.S. Exploration operated 113 of the wells in which it owned an interest, as of

December 31, 2002. The Company owns 100% of the working interest in 36 of the 56 new wells in which it participated during 2002. Twenty-nine of those 36 wells are in a new area and are in various stages of being hooked up to a gathering system.

29. On September 22, 2003, the Company issued a press release entitled “United States Exploration to Be Acquired.” The press release stated in part:

United States Exploration, Inc. today announced that DGL Acquisition Corp. has agreed to acquire U.S. Exploration for \$53.3 million, or \$2.82 per share of U.S. Exploration stock. The transaction, which is structured as a merger, is expected to close by the end of 2003, subject to the approval of U.S. Exploration’s shareholders and other customary conditions.

DGL is a privately held company formed by Steven D. Durrett (the former Chief Executive Officer of Ballard Petroleum) to acquire U.S. Exploration. Lime Rock Partners II, L.P. and Greenhill Capital Partners, LLC have provided equity commitments that, together with a separate commitment to provide debt financing, are sufficient to fund the acquisition, subject to the satisfaction of specific conditions. DGL has no affiliation with any officer, director or principal shareholder of U.S. Exploration.

DGL has deposited a \$2 million promissory note, to be replaced with \$2 million in cash on or before October 6, 2003, in escrow as earnest money for the transaction. U.S. Exploration has entered into hedging arrangements with respect to the majority of its current oil and gas production through 2005. All of U.S. Exploration’s director and one of its major shareholders, who collectively own approximately 48% of the company’s outstanding stock, have agreed to vote in favor of the merger.

“We believe that this transaction provides our shareholders liquidity at full value,” said Bruce D. Benson, President and CEO of U.S. Exploration. “Over the last five years, we have worked hard to rationalize the company’s assets and establish the value of its reserves. This transaction makes the value created by those efforts available to our shareholders.”

30. On January 14, 2004, the Company issued a press release entitled “***United States Exploration Announces Amendments to Financials***.” The press release stated in part:

United States Exploration, Inc. announced today that it will amend its annual financial statements for 2001 and 2002 and its interim financial statements for the three months and nine months ended September 30, 2003.

Those amendments are based on comments received from the Securities and Exchange Commission in connection with its review of the Company’s proxy statement for a special meeting of shareholders to vote upon its previously

announced merger. Upon consummation of the merger, the Company's shareholders would receive \$2.82 per share in cash for their stock.

The amendments relate primarily to the method of accounting for the sale of a coalbed methane project in Neosho County, Kansas, in 2001. The Company acquired the project in March 2001 for approximately \$1,500,000 and spent approximately \$500,000 on the project following its acquisition. The project was sold in June 2001 for approximately \$6,000,000. The Company reported income of approximately \$4,000,000 on the sale. Based on the comments received from the SEC, the Company has determined that the proceeds of the sale should have been charged against its full cost pool rather than being recognized as revenue.

In addition, since 2001, the Company has treated operating and drilling fees as revenues. Based on the SEC comments, the Company has determined that operating fees should have been offset against general and administrative expense and that drilling fees should have been credited to the full cost pool. The total amounts of fees involved from the beginning of 2001 through September 30, 2003, were \$95,599 of drilling fees and \$90,704 of operating fees.

The effects of the amendments on the Company's income statements will be to decrease reported net income in 2001 by approximately \$4,000,000, increase reported net income in 2002 by approximately \$1,575,000 and increase reported net income for the first nine months of 2003 by approximately \$100,000. Attached is a summary of the income statement and balance sheet effects of the amendments for 2001, 2002 and the first nine months of 2003. The Company intends to file an amended annual report on Form 10-KSB for 2002 and an amended quarterly report on Form 10-QSB for the quarter ended September 30, 2003, reflecting these changes as well as certain other changes made in response to SEC comments.

The acquiror in the proposed merger has agreed that these amendments will not give rise to any right on its part to terminate the merger agreement. Accordingly, the Company does not believe that these amendments will adversely affect the consummation of the merger. The Company intends to mail proxy materials to its shareholders within the next few days for a meeting to be held before the end of January to vote upon the merger. As previously announced, all of the Company's directors and one of its major shareholders, who collectively own approximately 48% of its common stock, have agreed to vote in favor of the merger.

* * *

United States Exploration, Inc. is engaged in the acquisition, exploration, development, production and marketing of natural gas and crude oil. The Company's reserves and producing properties are located in northeast Colorado.

The Company's common stock trades on the American Stock Exchange under the symbol UXP.

Summary of Income Statement and Balance Sheet Effects of Changes			
	Nine months Ended		
	9/30/03	2002	2001
Income Statement Effects:			
Net income as originally reported	\$3,356,577	\$5,464,991	\$8,048,911
Sale of non-producing leases	--	--	(4,027,835)
Decrease in amortization rate	185,671	258,826	112,050
Reversal of drilling income	(5,606)	(72,083)	(18,900)
Deferred income tax expense	(73,511)	--	--
Income tax benefit	--	1,389,500	--
	-----	-----	-----
Net income as restated	\$3,463,131	\$7,041,234	\$4,114,226
	=====	=====	=====
Basic and diluted earnings per share:			
As originally reported	\$0.18	\$0.29	\$0.42
	=====	=====	=====
As restated	\$0.18	\$0.37	\$0.21
	=====	=====	=====

31. The proxy statement issued in connection with the merger agreement stated in part:

U.S. Exploration would continue to operate and to be a public company and U.S. Exploration's board of directors would continue to pursue strategies to maximize shareholder value. If the shareholders do not approve the merger, U.S. Exploration would be required to reimburse certain expenses incurred by Holdings, and under certain circumstances would be required to pay a termination fee equal to 4% of the total merger consideration, or approximately \$2.13 million, if we completed another merger or other sale of the company within 12 months.

* * *

In approving the merger, our board of directors considered the opinion dated *September 19, 2003* of its financial advisor, McDonald Investments, that the consideration to be received pursuant to the merger is fair, from a financial point of view, to the holders of our common stock.

* * *

- Directors and officers holding options to purchase our common stock will receive a cash payment at the effective time of the merger in exchange for their options equal to the positive difference between \$2.82 and the exercise price for each share underlying the options. Total payments to directors and officers for cancellation of options will be approximately \$403,500.
- Non-employee directors will receive a cash payment at the effective time of the merger equal to \$2.82 for each share of our common stock that would otherwise have been issued under our Directors' Fee Stock Plan in payment of directors' fees for board meetings from January 1, 2003 through the date of the merger agreement....
- Some of our employees will receive retention bonuses at the effective time of the merger in an aggregate amount not to exceed \$300,000 as an incentive to remain with the company through the effective time of the merger. The employees who will receive bonuses include our Chief Financial Officer (who is also our Vice President, Secretary and Treasurer) and our Vice President – Land. Bruce D. Benson, our Chairman, Chief Executive Officer and President, will not receive a retention bonus.
- Our current and former directors and officers will be entitled to indemnification by Holdings and U.S. Exploration as the surviving corporation against claims arising out of or in connection with activities in such capacities prior to the effective time of the merger.

* * *

Miscellaneous. The board of directors of U.S. Exploration agreed to cause U.S. Exploration to pay McDonald Investments a transaction fee in connection [with] the financial advisory services provided to the board of directors, a significant portion of which is contingent upon the consummation of the merger. Based on current estimates, the transaction fee will be approximately \$900,000. The board of directors also agreed, subject to certain exceptions, to cause U.S. Exploration to reimburse McDonald Investments for its reasonable out-of-pocket expenses, and to indemnify McDonald Investments and related persons against liabilities in connection with its engagement, including liabilities under federal securities laws. The terms of the fee arrangement with McDonald Investments were negotiated at arm's-length between the board of directors and McDonald Investments.

* * *

3.20 ACCOUNTING CONTROLS. UXP has devised and maintained systems of internal accounting controls sufficient to provide reasonable assurances, in the judgment of UXP Board of Directors, that (1) all material transactions are executed in accordance with management's general or specific authorization; (2) all material transactions are recorded as necessary to permit the preparation of financial statements in conformity with generally accepted accounting principals consistently applied with respect to any criteria applicable to such statements, (3) access to the material property and assets of UXP is permitted only in accordance with management's general or specific authorization; and (4) the recorded accountability for items is compared with the actual levels at reasonable intervals and appropriate action is taken with respect to any differences.

SELF-DEALING

32. By reason of their positions with U.S. Exploration, the Individual Defendants are in possession of non-public information concerning the financial condition and prospects of U.S. Exploration, and especially the true value and expected increased future value of U.S. Exploration and its assets, which they have not disclosed to U.S. Exploration's public stockholders. Moreover, despite their duty to maximize shareholder value, the defendants have clear and material conflicts of interest and are acting to better their own interests at the expense of U.S. Exploration's public shareholders.

33. The proposed sale is wrongful, unfair and harmful to U.S. Exploration's public stockholders, and represents an effort by defendants to aggrandize their own financial position and interests at the expense of and to the detriment of Class members. The Acquisition is an attempt to deny plaintiff and the other members of the Class their rights while usurping the same for the benefit of DGL on unfair terms.

34. In light of the foregoing, the Individual Defendants must, as their fiduciary obligations require:

- Withdraw their consent to the sale of U.S. Exploration and allow the shares to trade freely – without impediments.
- Act independently so that the interests of U.S. Exploration's public stockholders will be protected, including, but not limited to, the retention of truly independent advisors and/or the appointment of a truly independent Special Committee.
- Adequately ensure that no conflicts of interest exist between defendants' own interests and their fiduciary obligation to maximize stockholder value or, if such conflicts exist, to ensure that all conflicts be resolved in the best interests of U.S. Exploration's public stockholders.
- Update the Company fairness opinion.

- Disclose the Company's fiscal year 2003 results.

35. The Individual Defendants have also approved the Acquisition so that it transfers 100% of U.S. Exploration's revenues and profits to DGL, thus all of U.S. Exploration's operations will now accrue to the benefit of DGL.

CAUSE OF ACTION

Claim for Breach of Fiduciary Duties

36. Plaintiff repeats and realleges each allegation set forth herein.

37. The defendants have violated fiduciary duties of care, loyalty, candor and independence owed under Colorado law to the public shareholders of U.S. Exploration and have acted to put their personal interests ahead of the interests of U.S. Exploration's shareholders.

38. By the acts, transactions and courses of conduct alleged herein, defendants, individually and acting as a part of a common plan, are attempting to advance their interests at the expense of plaintiff and other members of the Class.

39. The Individual Defendants have violated their fiduciary duties by entering into a transaction with DGL without regard to the fairness of the transaction to U.S. Exploration's shareholders. Defendant U.S. Exploration directly breached and/or aided and abetted the other defendants' breaches of fiduciary duties owed to plaintiff and the other holders of U.S. Exploration stock.

40. As demonstrated by the allegations above, the Individual Defendants failed to exercise the care required, and breached their duties of loyalty, good faith, candor and independence owed to the shareholders of U.S. Exploration because, among other reasons:

- (a) they failed to properly value U.S. Exploration; and
- (b) they ignored or did not protect against the numerous conflicts of interest resulting from their own interrelationships or connection with the Acquisition.

41. Because the Individual Defendants dominate and control the business and corporate affairs of U.S. Exploration, and are in possession of private corporate information concerning U.S. Exploration's assets, business and future prospects (including its fiscal 2003 results), there exists an imbalance and disparity of knowledge and economic power between them and the public shareholders of U.S. Exploration which makes it inherently unfair for them to pursue any proposed transaction wherein they will reap disproportionate benefits.

42. By reason of the foregoing acts, practices and course of conduct, the defendants have failed to exercise ordinary care and diligence in the exercise of their fiduciary obligations toward plaintiff and the other members of the Class.

43. As a result of the actions of defendants, plaintiff and the Class will suffer irreparable injury as a result of defendants' self dealing.

44. Unless enjoined by this Court, the defendants will continue to breach their fiduciary duties owed to plaintiff and the Class, and may consummate the proposed Acquisition which will exclude the Class from its fair share of U.S. Exploration's valuable assets and businesses, and/or benefit defendants in the unfair manner complained of herein, all to the irreparable harm of the Class, as aforesaid.

45. Defendants are engaging in self-dealing, are not acting in good faith toward plaintiff and the other members of the Class, and have breached and are breaching their fiduciary duties to the members of the Class.

46. Unless the proposed Acquisition is enjoined by the Court, defendants will continue to breach their fiduciary duties owed to plaintiff and the members of the Class, will not engage in arm's-length negotiations on the Acquisition terms, and will not supply to U.S. Exploration's minority stockholders sufficient information to enable them to cast informed votes on the proposed Acquisition and may consummate the proposed Acquisition, all to the irreparable harm of the members of the Class.

47. Plaintiff and the members of the Class have no adequate remedy at law. Only through the exercise of this Court's equitable powers can plaintiff and the Class be fully protected from the immediate and irreparable injury which defendants' actions threaten to inflict.

PRAYER FOR RELIEF

WHEREFORE, plaintiff demands preliminary and permanent injunctive relief in his favor and in favor of the Class and against defendants as follows:

- A. Declaring that this action is properly maintainable as a class action;
- B. Declaring and decreeing that the Acquisition agreement was entered into in breach of the fiduciary duties of the defendants and is therefore unlawful and unenforceable;
- C. Enjoining defendants, their agents, counsel, employees and all persons acting in concert with them from consummating the Acquisition, unless and until the Company adopts and implements a procedure or process to obtain the highest possible price for shareholders;
- D. Directing the Individual Defendants to exercise their fiduciary duties to obtain a transaction which is in the best interests of U.S. Exploration's shareholders;
- E. Rescinding, to the extent already implemented, the Acquisition or any of the terms thereof;
- F. Awarding plaintiff the costs and disbursements of this action, including reasonable attorneys' and experts' fees; and

G. Granting such other and further equitable relief as this Court may deem just and proper.

DATED: January 22, 2004

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