

United States Department of the Interior

BUREAU OF LAND MANAGEMENT

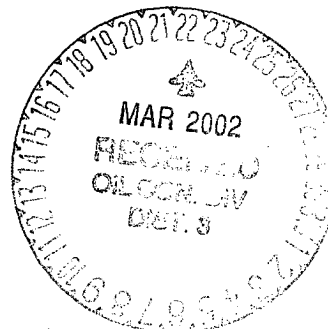
Farmington Field Office
1235 La Plata Highway, Suite A
Farmington, New Mexico 87401

IN REPLY REFER TO:

NM - 89783
3162.3-1 (07100)

30-039-26422

March 21, 2002



J.M. Huber Corporation
C/O Walsh Engineering & Production Corp.
7415 East Main
Farmington, NM 87402

Dear Sir:

Reference is made to the following well on Federal oil and gas lease: **NM - 89783**

**Chicosa 35 # 1, located 660' FNL and 660' FEL section 35, T. 31N., R. 4W.
Rio Arriba Co, New Mexico.**

This well was approved for drilling on June 21, 2000, as a Basin Fruitland Coal to a total depth of 3990'. On March 11, 2002, this office sent notice to you, that the approval had been rescinded due to the expiration of the APD on June 21, 2001. Recently, we received your spud, casing and cement reports, along with the well completion report. From these reports, it appears that the well was drilled prior to the expiration date of the APD, Pursuant to the General Requirements attached to the APD, you were required to file your spud notice, casing and cement reports and the well completion report with 30 days of completion of each operation. This office received this information 18 months after the fact. As such, you are in violation of 43 CFR 3162.1 and 3162.4 - 1(c) for the failure to comply with the written requirements of the Application for Permit to Drill. However this is considered a minor violation, this will serve as notice that if violations of this sort occur in the future, you will be subject to a monetary assessment. Enclosed you will find the after the fact processed Sundry Notices.

Based on the well test information provided on the well completion report, it appears that this well is incapable of production in paying quantities. This lease is currently in its primary term and will expire on October 31, 2002 if production in paying quantities is not established. As such, within 60 days from the date of this notice you are required to submit adequate well test, geologic, engineering, or economic data that indicates, this well is capable of production in paying quantities. Failure to provide this information will leave us no alternative but to conclude that the well is incapable of production in paying quantities and your plans for the final disposition of this well will be required.

Under provisions of 43 CFR 3165.3, you may request an Administrative Review of the assessment described above. Such request, including all supporting documents, must be filed in writing within 20 business days of receipt of this notice and must be filed with the State Director, Bureau of Land Management, P.O. Box 27115, Santa Fe, New Mexico 87502-0115. Such request shall not result in a suspension of the order(s) unless the reviewing official so determines. Procedures governing appeals form instructions, orders or decisions are contained in 43 CFR 3154.4 and 43 CFR 4.400 et seq.

If you have any questions regarding the above contact Matt Halbert at (505) 599-6350

Sincerely,

s/s Jim Lovato

Jim Lovato
Senior Technical Advisor
Petroleum Management Team

cc:
NMOCD, Aztec, NM
NMOCD, Santa Fe, NM

bcc:
U.S. Forest Service
Bloomfield, NM
well file: (1) NM- 98783
DOMR suspense (M Halbert)
07100: M Halbert: 3/21/02: X 6350: JM Huber - NM-89783 - Chicosa 35 # 1.