



United States
Department of
Agriculture

Forest
Service

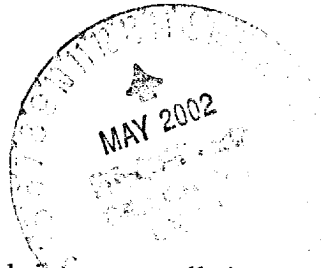
Santa Fe National Forest

Cuba Ranger District
P.O. Box 130
Cuba, New Mexico 87013
505-289-3264

File Code: 2820-2

Date: April 26, 2002

Beth Hand
President
Sagebrush Oil, Inc.
HC 78, Box 21
Regina, NM 87046



I-21-26N-1E

Dear Ms. Hand:

We appreciate Sagebrush Oil, Inc.'s efforts to bring your wells into compliance; however, a lot more work is necessary. We have recently inspected your wells on the Santa Fe National Forest, and found numerous items which are not in compliance with your lease stipulations. We would prefer to meet with you or a company representative in the field to discuss the problems noted, instead of trying to detail them in a letter. Please call Larry Gore, at the Cuba Ranger District (289-3264), at your earliest convenience to arrange this meeting.

One item noted in the inspections which requires immediate action is the oil which was spilled from the break in the production line on the Gran Fed #1R. On April 17, 2002 it was noted the oil spill had been covered over with fresh dirt, but the contaminated soil had not been removed. This is unacceptable. All hydrocarbon contaminated soil must be removed from the site and disposed of according to State and Federal law.

Fire prevention is required by the lease terms on all the leases, so due to the high fire danger, please implement the following.

Inspect all motors (stationary, portable, heavy equipment, and vehicles) and make sure they have Forest Service approved spark arrestors.

Make sure your field personnel are aware smoking is restricted to inside their vehicles, or areas cleared of all vegetation.

Make sure your field personnel, contractors, and heavy equipment have fire extinguishers and shovels available.

Be extra cautious when doing any welding or cutting work.

Make sure your personnel are aware that shooting on the Forest is restricted to authorized hunting activities while we are in fire restrictions.



If any of your people see situations which they feel may pose a fire or safety hazard, please have them contact the Cuba Ranger District at (505) 289-3264. To report a fire, they should immediately call:

Forest Dispatch (anytime) 438-7800 or

Cuba Ranger District (8 AM to 4:30 PM, weekdays) 289-3264 or

Richard Montoya (nights and weekends) 289-3811

If you have any questions, please give myself or Larry Gore a call here at the Cuba Ranger District at 289-3264.

Sincerely,

/s/ Larry Gore (for):
STEVE R. ROMERO
Assitant District Ranger