



CARVER SCHWARZ MCNAB & BAILEY, LLC

HUDSON'S BAY CENTRE
1600 STOUT STREET, SUITE 1700
DENVER, COLORADO 80202

MAIN LINE: 303.893.1815
FACSIMILE: 303.893.1829

DAVID A. BAILEY
dbailey@cksmb.com
303.893.1827

BY FAX DELIVERY

MEMORANDUM

To: Steve Hoffman, DOI Solicitor's Office

Date: July 20, 2007

Re: Proposed action

After discussing the issue with my client, we have decided that it makes the most sense to focus in on Baca Well 5, Baca Well 6 (which we may amend to be relocated to a point in the same quarter-quarter section) or a new Baca Well 7, which will be southwest of the existing location of Well 6. Please see the attached map. Therefore, we are not proposing a project-based or programmatic approach to the EA in which the proposed action might have been "all oil and gas exploration on the BNWR."

I think it still makes sense for each of us to draft our sense of the "proposed action" and then compare notes, but since the approach we are going to take is different than what we discussed yesterday, I wanted to let you know as soon as possible. I have asked Jack Clark to make Connie Young-Dobovsky aware of this also.

Please give me a call if you have any questions or wish to discuss this matter further.