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3180/AZA31924/AZ1X (AZ-932)

August 8, 2003

Mr. Rodney Ratheal
President, Premco Western, Inc.
1069 E. Ft. Pierce Dr.
St. George, Utah 84790

Dear Mr. Ratheal,

We are responding to Senator McCain's letter you faxed to his office on June 23, 2003, and the letter you faxed to President Bush on that same date. Your letter detailed the efforts that you have made in attempting to complete an oil and gas well. We recognize your situation and the efforts you have made to complete this well. I must note that you began drilling this well on July 10, 2000.

In order to help you focus on meeting the public interest requirement of your unit agreement, the Bureau of Land Management sent you a letter on October 21, 2002, which you received in November. This letter outlined the diligent drilling requirements for satisfying the public interest requirement of your unit agreement. Because you had drilled approximately 3500 feet in two and a half years, we required you to have some one capable of operating your equipment on site 8 hours per day seven days per week, with the exception of Thanksgiving, Christmas and New Years Day, until the well was completed to the target depth or you reached producible hydrocarbons. In order to be relieved of this requirement, you needed written permission from the Arizona Strip Field Office. Monitoring of your drill site indicated that, there was some one on site capable of operating the equipment less than 50 percent of the time, therefore your unit agreement was terminated for failure to meet this requirement.

You have requested a State Director Review of the decision to terminate the Dutchman Unit. State Director Review will be completed by the end of the week of August 11, 2003. You will be receiving the results of the State Director Review early in the week of August 11, 2003.

Sincerely,

/s/ Elaine Y. Zielinski

Elaine Y. Zielinski
State Director

cc: Senator McCain-Phoenix Office
Washington Office (615) Correspondence