

BEFORE THE OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE APPLICATION) CAUSE NO. 1
OF LEXAM EXPLORATION (USA) INC. FOR AN)
EXTENSION OF TIME FOR PERMITS-TO-DRILL,) DOCKET NO. 0803-GA-03
SAGUACHE COUNTY, COLORADO)

NOTICE OF HEARING

TO ALL INTERESTED PARTIES AND TO WHOM IT MAY CONCERN:

On April 3, 2007, the Applications for Permits-to-Drill for Baca Well #5 located in SE¼ NE¼, Section 33, Township 43 North, Range 11 East, N.M.P.M. and Baca Well #6 located in NE¼ SW¼, Section 28, Township 43 North, Range 11 East, N.M.P.M. were issued by the Colorado Oil and Gas Conservation Commission to Lexam Explorations (USA) Inc. ("Lexam"), with an expiration date of April 2, 2008.

On May 8, 2006, the San Luis Valley Ecosystem Council ("SLVEC") filed a Complaint against the United States Fish and Wildlife Service ("USFWS") in federal District Court in the District of Colorado alleging that the USFWS was required to take certain actions under the National Environmental Policy Act ("NEPA") in order to determine appropriate measures to protect the surface of the Baca National Wildlife Refuge ("BNWR"). The BNWR is administered by the USFWS. Lexam was not named as a defendant in the Complaint.

On July 18, 2007, rather than incur litigation expense, the USFWS filed a Motion to Remand the underlying action back to the agency to allow it to prepare an Environmental Assessment (an "EA"). Under NEPA, preparation of an EA generally leads to either a Finding of No Significant Impact (a "FONSI") or an Environmental Impact Statement (an "EIS"). The Motion to Remand took no position on the applicability of NEPA to these facts.

The Motion to Remand estimated that it would take approximately 180 days to complete the EA. On November 28, 2007, the District Court Judge granted the Motion to Remand.

The EA, prepared by ENSR on behalf of the USFWS, was completed and distributed for public comment on or about January 18, 2008. A public meeting was held on February 12, 2008, and the public comment period will end on March 2, 2008.

After the close of the public comment period, the USFWS will determine whether to issue a FONSI or proceed to an EIS. Representatives of the SLVEC have stated in recent newspaper articles that further NEPA-related litigation will be filed if a FONSI is issued by the USFWS.

As a result of its communication and cooperation with the USFWS, its attendance at several public meetings in the San Luis Valley, completion of the water sampling program and the cultural resources survey, negotiation of the Negotiated Operating Plan with the USFWS and its participation in the NEPA process, Lexam has demonstrated its diligent efforts to commence drilling operations pursuant to the Permits. Rule 303.h of the Rules and Regulations of the Colorado Oil and Gas Conservation Commission states: "If operations are not commenced on the permitted well within one (1) year after date of approval, the permit shall become null and void."

On February 8, 2008, Lexam, by its attorney, filed with the Commission a verified application for an order for a variance under Rule 502.b. for a one year extension to commence drilling operations for the Baca Well #5 and the Baca Well #6, for the production of gas and associated hydrocarbons from the Dakota Formation.

NOTICE IS HEREBY GIVEN, that the Oil and Gas Conservation Commission of the State of Colorado, pursuant to the above, has scheduled the above-entitled matter for hearing on:

Date: Monday, March 31, 2008
Tuesday, April 1, 2008
Time: 9:00 a.m.
Place: Suite 801, The Chancery Building

1120 Lincoln Street
Denver, Colorado 80203

In accordance with the Americans with Disabilities Act, if any party requires special accommodations as a result of a disability for this hearing, please contact Margaret Humecki at (303) 894-2100 ext. 139, prior to the hearing and arrangements will be made.

Pursuant to said hearing in the above-entitled matter at the time and place aforesaid, or at any adjourned meeting, the Commission will enter such orders as it deems appropriate to protect the health, safety and welfare of the public and to prevent the waste of oil and gas, either or both, in the operations of said field, and to carry out the purposes of the statute.

In accordance with Rule 509., any interested party desiring to protest the granting of the application or to intervene on the application should file with the Commission a written protest or intervention no later than March 17, 2008, briefly stating the basis of the protest or intervention. Such interested party shall, at the same time, serve a copy of the protest or intervention to the person filing the application. An original and 13 copies shall be filed with the Commission. **Anyone who files a protest or intervention must be able to participate in a prehearing conference during the week of March 17, 2008.** Pursuant to Rule 503.f., if a party who has received notice under Rule 503.b. wishes to receive further pleadings in the above-referenced matter, that party must file a protest or intervention in accordance with these rules. In accordance with the practices of the Commission, should no protests or interventions be filed in this matter by **March 17, 2008, the Applicant may request that an administrative hearing be scheduled during the week of March 17, 2008.** In the alternative, pursuant to Rule 511.b., if the matter is uncontested, the applicant may request, and the Director may recommend approval on the basis of the merits of the verified application and the supporting exhibits.

IN THE NAME OF THE STATE OF COLORADO

OIL AND GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

By _____
Patricia C. Beaver, Secretary

Dated at Suite 801
1120 Lincoln Street
Denver, Colorado 80203
February 29, 2008

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