



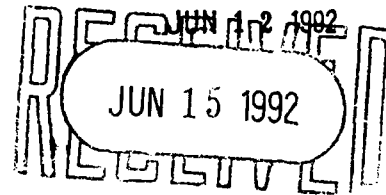
United States Department of the Interior



BUREAU OF LAND MANAGEMENT
Carlsbad Resource Area Headquarters
P.O. Box 1778
Carlsbad, New Mexico 88221-1778

3162.31 (067)

CERTIFIED--RETURN RECEIPT REQUESTED
P 864 869 070



Yates Petroleum Corporation
Attn.: Mr. Ken Beardemphl
105 South Fourth Street
Artesia, NM 88210

RE: Application for Permit to Drill
Diamond AKI Federal Well No. 1
660' FSL, 1980' FWL
Sec. 34, T20S, R24E; NMPM
Lease No. NM-045276

Dear Mr. Beardemphl:

This letter is to inform you of the status of the referenced Application for Permit to Drill (APD).

On December 30, 1991, we received the Notice of Staking and the onsite inspection was conducted January 6, 1992, by yourself and Barry Hunt, of this office. During the onsite, Barry suggested moving the location because of the proximity to the Box Canyon 100 year floodplain and the amount of cut required. However, you did not want to move the location because of geological reasons.

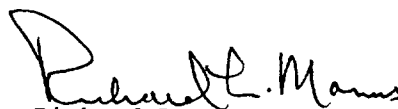
On January 17, 1992, we received the APD. The cultural resources report submitted February 27, 1992, showed a site within the proposed location. Further Bureau of Land Management (BLM) reconnaissance revealed an extensive site encompassing the majority of the location. Barry Hunt reported this to your office and asked about moving the location in order to avoid both the cultural site and the 100 year floodplain. Your office requested we put the APD on hold until a decision was made.

Unless the location is moved to an acceptable site, we will have to write an indepth Environmental Assessment (EA) which could result in a lengthy processing delay.

Within fifteen (15) days of receipt of this letter, please inform Barry Hunt at (505) 887-6544 whether you want to look for an alternate location, have us start the EA or have the APD returned unprocessed.

Thank you for your cooperation.

Sincerely,


Richard L. Manus
Area Manager

YATES PETROLEUM CORP.
BEFORE EXAMINER CATANACH
NMOCD CASE NO. 10519
DATE: 08/20/92
EXHIBIT NO. 2

6-16-92
cc: RP KP