

MARTIN YATES, III  
1912 - 1985  
FRANK W. YATES  
1936 - 1986



105 SOUTH FOURTH STREET  
ARTESIA, NEW MEXICO 88210  
TELEPHONE (505) 748-1471

S. P. YATES  
CHAIRMAN OF THE BOARD  
JOHN A. YATES  
PRESIDENT  
PEYTON YATES  
EXECUTIVE VICE PRESIDENT  
RANDY G. PATTERSON  
SECRETARY  
DENNIS G. KINSEY  
TREASURER

June 6, 1990

Eddy Potash, Inc.  
P. O. Box 31  
Carlsbad, New Mexico 88220

Attention: Mr. Marvin Watts

Re: Gazelle "AHG" Federal #2  
Surface Location: 1,000'FSL and 5'FEL  
Section 16-T20S-R29E  
Sub-surface Target: 825'FNL and 1533'FEL  
Section 22-T20S-R29E  
Eddy County, New Mexico

Dear Mr. Watts:

Yates Petroleum Corporation is the operator of the Oil and Gas Lease covering the above captioned location and plans to drill a 12,200' vertical depth gas well. I visited with Bob Krueel today on the phone about the proposed surface location. It is 1/2 mile of open mining and should be within the prescribed limits. We plan to drill vertically to approximately 3,350' and then drill directionally to our target.

If this is acceptable to your company, please sign and return one copy of this letter to my attention.

I will be waiting to hear from you concerning this matter. If you have any questions, please contact me or Al Springer, Drilling Supervisor at (505)748-1471.

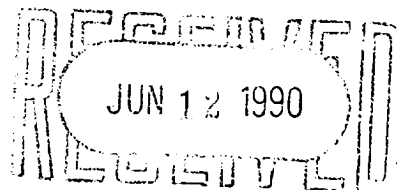
Sincerely,

YATES PETROLEUM CORPORATION

*Clifton R. May*

Clifton R. May  
Permit Agent

CRM/sdf



AGREED AND ACCEPTED this 11 day of June, 1990.

EDDY POTASH, INC.

By: *Marvin L. Watts*

Title: General Manager