



United States Department of the Interior



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BUREAU OF LAND MANAGEMENT
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November 6, 2006

Oil Conservation Division
1220 S. St. Francis Drive
Santa Fe, NM 87505

State of New Mexico
Energy, Minerals and Natural Resources
Department
Oil Conservation Division
Attention: Mr. Mark Fesmire
1220 S. St. Francis Dr.
Santa Fe, NM 87501

Dear Mr. Fesmire:

We are writing in regard to Case No. 13817, Harvey E. Yates Company's (HEYCO) application for an exemption from Commission Rule 19.15.2.50(A), which prohibits in-ground drilling pits in selected areas of Sierra and Otero Counties. The Case will be heard at a Hearing scheduled for November 9, 2006.

We are currently processing an application for permit to drill (APD) filed by HEYCO. The proposed Bennett Ranch Unit (BRU) #6 Well would further explore the BRU in southern Otero County.

We have commenced preparation of an Environmental Assessment (EA) for this APD. We cannot approve the APD until the EA is completed, potential adverse impacts are identified, and mitigating measures are developed. We do not anticipate completion of the EA until February 2007.

We urge the State to keep an open mind, with respect to HEYCO's drilling plan, which proposes drilling with an underbalanced (air drill) system. If you would like to discuss this further, please contact me at 438-7501, or Jay Spielman at 438-7503.

Sincerely,

Linda S.C. Rundell
State Director

cc:

Harvey E. Yates Company
Attention: Mr. Bob Williams
Operations Manager
P.O. Box 1933
Roswell, NM 88202