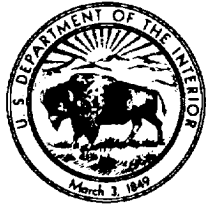


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OIL CON. DIV.

United States Department of the Interior



BUREAU OF LAND MANAGEMENT
Carlsbad Resource Area Headquarters
620 E. Greene St.
Carlsbad, New Mexico 88220-6292

IN REPLY REFER TO:

Operator Yates Petroleum Corporation
Lease Name Annabella "ANB" State #1
Location Sec. 32; T21S; R31E; 330' FSL & 1650' FEL
Depth 8,100'

JUN 28 1996

Bryan Arrant
Oil Conservation Division
811 S. First St.
Artesia, NM 88210-2834

Mr. Arrant:

The State APD referenced above is located within an area which may be affected by Interior Board of Land Appeals (IBLA) litigation involving a potassium lease. Where public lands are in litigation, BLM will take no action with respect to the contested lands which will prejudice the outcome of the appeal. Therefore, no action will be taken on applications within the contested lease boundary or the area one-quarter (1/4) mile from the lease boundary. APDs for oil wells further than one-quarter (1/4) mile from the lease boundary will be processed routinely. APDs for gas wells which are further than one-half (1/2) mile from the lease boundary will also be processed routinely. (The proposed location is further than one-half (1/2) mile from the contested lease.)

The potassium lease affected by the IBLA litigation is located immediately to the north of the WIPP site. The northern most part of the potassium lease includes lands covering all or part of the south-half of Sections 3, 4, & 5: T22S, R31E. The two companies contesting the lease are IMC Global Operation and Yates Petroleum.

IMC has filled a LMR on the area of the contested lease, Yates has not. The proposed location falls within the 1/2 mile buffer zone of the LMR filed by IMC Global Operations, but outside of the 1/4 mile buffer.

Whether or not BLMs position in this matter has a bearing on your administration may best be decided by your legal counsel. If you have any other questions relating to this issue please contact our Solid Minerals Staff (Joan Florez or Craig Cranston) (505) 887-6544.

Richard L. Manus

Richard L. Manus
Area Manager