

July 19th or 20th

UNITED STATES DEPARTMENT OF THE INTERIOR

BUREAU OF LAND MANAGEMENT
CARLSBAD RESOURCE AREA HEADQUARTERS
P. O. Box 1778
Carlsbad, New Mexico 88221-1778

Yates Petroleum Corporation
Attention: Brent May
105 South Fourth Street
Artesia, NM 88210

RE: Llama ALL Federal Well No. 1
NM-81952
330' FSL & 950' FWL, Sec. 7, T22S, R31E
Eddy County, New Mexico

Llama ALL Federal Well No. 2
NM-81952
660' FSL & 1980' FWL, Sec. 7, T22S, R31E
Eddy County, New Mexico

Llama ALL Federal Well No. 3
NM-81952
330' FSL & 1980' FWL, Sec. 7, T22S, R31E
Eddy County, New Mexico

Dear Mr. May:

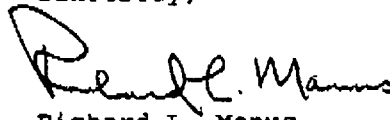
This office received Applications for Permit to Drill (APDs) for the above referenced well locations. The three locations fall within the designated Secretary's Potash Area as defined in the 1986 Secretary's Order.

Considerable time has been spent evaluating the physical characteristics of the ore bodies and the feasibility of economically mining potash in the subject area. Valuable potash reserves would be penetrated by drilling the proposed wells, Llamas No. 2 & 3, and would result in undue waste of potash.

In accordance with the 1986 Secretary's Order, the APDs Llamas No. 2 & 3, are recommended for denial by the Carlsbad Resource Area BLM. However, a drill island was established by the BLM which should have a minimal impact on potash reserves. The drill island is located with dimensions 0' to 330' FSL and 0' to 950' FWL in Section 7. Vertically or directionally drilled wells can be completed from within this drill island. The APD, Llama Federal Well No. 1, is located within this established drill island and is recommended for approval by the Carlsbad Resource Area.

These recommendations were given serious consideration by the Bureau of Land Management. We hope this will not cause any adverse problems for your company. If you have any questions contact Craig C. Cranston at (505) 887-6544.

Sincerely,


Richard L. Manus
Area Manager

YATES PETROLEUM CORP.
BEFORE EXAMINER MORROW
NMOCD CASE NO. 11019
DATE: 07/21/94
EXHIBIT NO. 4