



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

September 21, 2006
Yates Petroleum Corporation
105 South 4th Street
Artesia, NM 88210
Attn: Mr. Cy Cowan or To Whom it May Concern

RE: Yates Petroleum Corporation's

Application to drill (APD) for the following well:

**Lucy 'ALC' State # 8, located in Unit P of Section 35, Township 21 South, Range 31 East,
990' FSL & 990' FEL, Eddy County, New Mexico, NMPM, API # 30-015-35089**

Dear Mr. Cowan or to Whom It May Concern,

The New Mexico Oil Conservation Division ("NMOCD") approved the Lucy 'ALC' State # 8 (Lucy # 8) on August 17, 2006. The approval for the application was due (in part) with Yates Petroleum Corporation and Pogo Producing Company's agreement with Mississippi Potash Company effective June 16, 2000.

However, please note that this well location is in the same area as to where Intrepid Potash NM, LLC (Intrepid) formally Mississippi Potash Company, wrote your company a letter of objection on the Jacque "AQJ" State well applications to drill. (Please refer to my letter dated to you on August 29, 2006 for further explanation.)

Additionally as Yates Petroleum Corporation should be aware, the Lucy well location is in the LMR of Intrepid's potash reserves.

Finally, I have sent e-mails to your company inquiring that a waiver from Intrepid would be needed for the location of the Lucy # 8 well. This is due in part to the above circumstances.

As of this date, the NMOCD has not received a waiver for the Lucy # 8 from Intrepid or a copy of such a letter from Yates Petroleum Corporation.

Therefore until this matter can be resolved, the NMOCD withdraws the above application to drill as noted above in bold type.

Please call our office if there are any questions regarding this matter.

Respectfully yours,

Bryan G. Arrant

Petroleum Engineer Specialist/NMOCD-District II

505-748-1283 ext. 103

(cont.)

E Mail: Mark Fesmire, Division Director-Santa Fe
Daniel Sanchez, Compliance and Enforcement Manager-Santa Fe
David Brooks, Assistant General Counsel-Santa Fe
Gail MacQuesten, Assistant General Counsel-Santa Fe
Tim Gum, District II Supervisor-Artesia
Thomas A. McGuire, Chief Mine Engineer w/Intrepid Potash NM,LLC-Carlsbad

CC: Well file