

Form approved.
Budget Bureau No. 1004-0135
Expires August 31, 1985

October 16, 1986

Yates Energy Corporation
Sunwest Centre, Suite 1010
Roswell, NM 88201

We are accepting for record purposes the Sundry Notices dated September 12, 1986, shutting-in for economic reasons your No. 1 and 2 - Amoco Federal wells, located in Sec. 1 - T. 8S., - R. 31E., MPM, Chaves County, New Mexico, on lease NM-0354427A. We cannot approve the request for suspension of production per CFR 3103.4-2 as this applies to the complete suspension of all production, not just individual wells. Lease NM-0354427A contains wells operated by Apollo Energy Inc., that are producing as indicated by their August 1986 Monthly Report of Operations. This lease is not in jeopardy of termination due to the lack of production, but if Apollo Energy Inc. also shuts in their wells, application will need to be made to suspend production per CFR 3103.4-2.

If you have any questions feel free to call Peter W. Chester at 505-624-1790.

Sincerely,

Area Manager

PChester:sc:10/16/86:WANGID0089Z