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PATRICK H. LYONS
COMMISSIONER

State of New Mexico
Commissioner of Public Lands

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September 18, 2008

Ms. Katie Keller
Landman
The Intrepid Companies
700 17th St., Suite. 1700
Denver, CO 80202

Re: Potash Lease Application

Dear Ms. Keller:

The New Mexico State Land Office has been informed that Intrepid Potash intends to reopen its underground North Mine in southeastern New Mexico. This is a very significant event for the potash industry and southeastern New Mexico's economic outlook. As part of its North Mine mining operation Intrepid has applied for a 640 acre tract of state trust land located in Sec. 16, T-21-S, R-31-E in Eddy County. The acreage is within the area covered by the Oil Commission's Rule R-111-P. All required submittals for processing this lease application have been submitted to the Land Office and the lease is pending approval at the Land Office

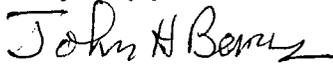
The eastern half of the section that Intrepid seeks is also under an oil and gas lease issued to Fasken Oil and Gas Company which is held by production from the Laguna # 1 well. The western half of the section that Intrepid seeks is under another Fasken lease, which would have expired except that the Land Office extended the lease for five years to provide time to resolve Fasken's application to drill the Fasken Laguna # 2 in the western half of the section. That application is pending before the Division examiner where both Fasken and Intrepid have submitted evidence for the Division's consideration. Intrepid has a very substantial interest in the APD proceedings for the Laguna # 2 because that well would directly impact Intrepid's ability to mine its adjacent federal potash leases as well as to mine Section 16 itself.

-State Land Office Beneficiaries -

Carrie Tingley Hospital • Charitable Penal & Reform • Common Schools • Eastern NM University • Rio Grande Improvement • Miners' Hospital of NM • NM Boys School • NM Highlands University • NM Institute of Mining & Technology • New Mexico Military Institute • NM School for the Deaf • NM School for the Visually Handicapped • NM State Hospital • New Mexico State University • Northern NM Community College • Penitentiary of New Mexico • Public Buildings at Capital • State Park Commission • University of New Mexico • UNM Saline Lands • Water Reservoirs • Western New Mexico University

The State Land Office intends to hold the Intrepid lease application pending final resolution and appeals of the Division's hearing process. The Land Office will issue the appropriate lease once the issues under R-111-P have been finally decided.

Very truly yours,

A handwritten signature in cursive script that reads "John H. Bemis". The signature is written in dark ink and includes a long horizontal flourish at the end.

John H. Bemis
Assistant Commissioner for Oil, Gas and Minerals

Cc: Mark Fesmire/Bryan Arrant