

SPENCE ENERGY COMPANY

4849 Greenville Avenue / Suite 381 / Dallas, Texas 75206 / (214)739-0027 / FAX (214)739-3023

L. O. SPENCE
PRESIDENT

JUDY L. EVANS
CORPORATE SECRETARY

August 25, 1992

CLAY SPENCE
VICE PRESIDENT

ROBERT B. MILLER
LAND MANAGER

STEVEN W. HOOSER
CONTROLLER - CPA

Eddy Potash, Inc.
P. O. Box 31
Carlsbad, NM 88220

Attn: Mr. Robert Kreul
Chief Mining Engineer

Re: Proposed Drilling Operations
SW/4 & S/2 NW/4 of Sec. 23-T19S-R30E
Eddy County, New Mexico

Dear Mr. Kreul:

In accordance with our telephone conversation and to comply with NMOCD Order No. R-111-P, you are hereby notified that Spence Energy Company proposes to develop portions of the captioned lands for shallow oil formations above the base of the Delaware Mountain Group by drilling wells to approximately 2000', to a depth sufficient to test (in our opinion) the Seven Rivers Formation, at the following locations:

Section 23-T19S-R30E

A) SE/4 of the NW/4

330' FSL & 330' FEL

B) NE/4 of the SW/4

at a legal location lying 330' FEL

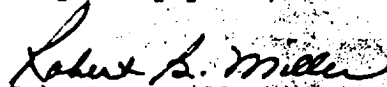
C) SE/4 of the SW/4

330' FNL & 330' FEL

If you are in agreement to the above, please indicate your acceptance in the space provided below and return same to me for our files and further handling with the Bureau of Land Management.

Thank you for your prompt attention to this matter.

Very truly yours,



Robert B. Miller
Land Manager

RBM/jle
EDDYF01.LTR

AGREED TO AND ACCEPTED ON THIS THE
2 DAY OF SEPTEMBER 1992.

EDDY POTASH, INC.

By: 
Title: CHIEF MINE ENGINEER