

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

L. O. SPENCE  
PRESIDENT

CLAY SPENCE  
VICE PRESIDENT

JUDY L. EVANS  
CORPORATE SECRETARY

ROBERT B. MILLER  
LAND MANAGER

August 25, 1992

STEVEN W. HOOSER  
CONTROLLER - CPA

Horizon Potash Corporation  
Box 279  
Carlsbad, NM 88221

Attn: Mr. Larry Randlett  
Chief Mining Engineer

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

Dear Mr. Randlett:

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.

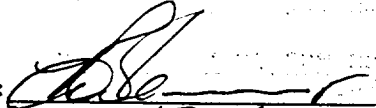
Very truly yours,

  
Robert B. Miller  
Land Manager

RBM/jle  
HORIZON1.LTR

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

HORIZON POTASH CORPORATION

By:   
Title: VP - GEN MGR