



EDDY POTASH, INC.

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Jerry W. Long
2709 Resolana
Roswell, NM 88201

October 14, 1996

Dear Mr. Long;

I am replying to your letter of September 26, 1996, in which you have requested the approval by Eddy Potash, Inc., to drill a test hole, whereas, the operator performing the drillhole will be the Spence Energy Company.

The area of request, is that of Section 23, Township 19S, Range 30E. The surveyed location is to be, 990' FSL and 1980' FWL. After plotting the coordinates of the proposed drillhole, it was found to be located outside of the mine workings' "quarter mile buffer zone."

Eddy Potash, Inc., does grant approval for the location only, of the No. 3 Unocal Federal 23 drillhole, however, approval is **denied** towards the waivering of the casing program described in your letter. In order to gain full approval, we request that present and future casing criteria be followed in regards to the R-111P guidelines previously established by the commission. Based upon the aforementioned, I am unable to sign the letter of agreement that you enclosed. Should the Spence Energy Company find a way to comply with the current casing guidelines, Eddy Potash, Inc. will be more than willing to reevaluate future proposed drilling sites. Please feel free to contact me if you have any questions concerning this subject.

Yours Truly,

Thomas A. McGuire
Mine Engineer