

# *Hallwood Petroleum, Inc.*

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MAILED CERTIFIED, RETURN RECEIPT REQUESTED

June 30, 1998

Mississippi Potash, Inc.  
P. O. Box 101  
1996 Potash Mines Road  
Carlsbad, New Mexico 88220  
Attn: Jill Farnsworth, Chief Mine Engineer

Re: Request for Waivers  
Bass #5 Well (SE/4 SW/4)  
Bass #6 Well (NW/4 SW/4)  
Section 30, T20S-R33E  
Lea County, New Mexico

Dear Ms. Farnsworth:

In February, Hallwood Petroleum, Inc. requested that Mississippi Potash waive objections to Hallwood's proposed Bass #5 well so that Hallwood might develop the Hat Mesa Delaware field. You expressed your objection.

Hallwood has expended significant monies, time and effort in safely developing and operating this field. We feel strongly that further drilling in a logical and orderly manner is necessary to prevent waste and assure maximum economic recovery of this resource and to protect the correlative rights of our fee royalty owners in the SW/4 of referenced Section 30.

Hallwood intends to file applications for permits to drill the Bass #5 and Bass #6 as referenced. We have staked both locations and enclose plats of the well sites for your review. You will note the Bass #5 has been moved from 660' FSL x 1980' FWL to 660' FSL x 2080' FWL.

Again, we ask that you reconsider our request and grant waivers for these locations. Your earlier objection referenced the State of New Mexico, Energy, Minerals and Natural Resources Department Oil Conservation Commission Order R-111-P and noted the Bass #5 is located inside of a projected LMR. While the Order does provide for protection of known potash deposits, as you are aware it also provides for orderly development of oil and gas pools under state regulated field rules. If Hallwood's applications for the