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Linda Rundell
New Mexico State Director
US Bureau of Land Management
PO Box 27115
Santa Fe, NM 87502

Date: August 31, 2009

SAND Report for Potash Gas Migration Project

Dear Ms. Rundell,

Enclosed is our draft SAND report on the analyses performed for the Potash Gas Migration Project. The report has been through our internal review process and we have incorporated review comments from BLM and our external reviewer. It is now ready for stakeholder review. Some of the results were shared with the stakeholders in our meetings with them. We sincerely appreciate their contributions to the analysis, and involvement in the analysis.

The issue that motivated this study was the potential for gas migration into the potash mines. The analyses predict well failure up to ¾ mile from the edge of a potash mine. Hydrofracture and hydrologic modeling were not performed. Until more specific studies are performed a conservative position in regards to safety has been chosen resulting in safe stand-off distance for mining near producing oil and gas wells. These distances greatly reduce the chance for a well to be compromised which in turn ensures the safety of underground miners.

A complete gas migration study will require additional time and resources and should include:

1. A hydrofracture and hydrologic analysis/model. The two flow systems (hydrofracture and natural flow) as they relate to high pressure gas escaping from a well bore (hydrofracture) or oil escaped into a formation (natural flow) are discussed as part of the analysis plan. The analysis results in this report show that the overburden and encompassing marker beds above and far beyond the mine boundaries are disturbed due to fracture and excessive deformation and slippage. Thus a disturbed flow system exists, that would facilitate gas migration beyond the natural state. We are not modeling an undisturbed formation but one that has undergone severe deformation due to mining thus weakening the strength of the formation. Therefore, we maintain our position (until further studies confirm or disprove our position) that a loss of well integrity could potentially jeopardize the safety of the mines. Our position is, as discussed in the analysis plan (Appendix 1- see Position on Gas Migration), a compromise to well integrity can result in gas pressure high enough to either fracture the formation or permit flow into the mine through the natural flow system.

2. A lot of discussion with the BLM and stakeholders has centered on what to do next. At our stakeholder meetings and in prepared responses to their comments on our analysis plan, we proposed a number of things that stakeholders could do, including integrity testing some of the existing oil and gas wells that have experienced significant mine deformations or will shortly; and also logging these wells and possibly potash core wells to measure slippage along the interfaces. The stakeholders want to see a field test conducted on a new test well or two, similar to what was done for Trona. In addition, there are more analyses that could be performed. See additional discussion in Appendix 2.

3. This report does not specifically address the safety of mining near plugged and abandoned wells. That could be the focus of a future study because of the existence of 2800 wells in the potash area. Of concern is the possibility that a well may be compromised prior to P&A resulting in gas leakage which could be encountered during subsequent mining. Gas can exist as a separate phase or in solution with brine or oil when under pressure, but can abruptly come out of phase upon entry into or near the mine as the face advances. Gas monitoring requirement exists, but they should be re-examined in light of this study. In particular, this study could be used to identify wells that may have lost integrity due to mining. The various mining and geologic scenarios considered in this report could help identify particularly hazardous wells and assist in developing mining strategies prior to mining near them. Monitoring requirements should also consider the P&A procedure used. Abandoned wells could also re-pressurize with time and the well may leak after it is mined around. These scenarios call for continued monitoring and additional study.

4. An alternative well design was also proposed. The concept well is designed for slippage, allowing the salt string to fail, but maintaining fluid filled annuli between it and the production string. The annuli could be monitored and kept at low pressure utilizing either an open casing at the surface or pressure release diaphragms. Novel design concepts could be further explored and specific designs could result that rely on world wide expertise and experience.

We would be pleased to further discuss these options or any other comments or questions you may have on the report. We have enjoyed interacting with the stakeholders on your behalf and would consider them essential to defining the path forward.

On behalf of the analysis team, thanks for your support.

Sincerely,

Brian Ehgartner

SANDIA REPORT

SAND2009-4795
Unlimited Release
Printed August 2009

Geomechanical Analyses to Investigate Wellbore/Mine Interactions in the Potash Enclave of Southeastern New Mexico

J. Guadalupe Argüello, James E. Bean, C. M. Stone, and Brian L. Ehgartner

Prepared by
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National Nuclear Security Administration under Contract DE-AC04-94AL85000.

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Sandia National Laboratories

SAND2009-4795
Unlimited Release
Printed August 2009

Geomechanical Analyses to Investigate Wellbore/Mine Interactions in the Potash Enclave of Southeastern New Mexico

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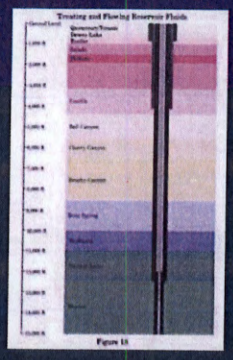
Abstract

Geomechanical analyses have been performed to investigate potential mine interactions with wellbores that could occur in the Potash Enclave of Southeastern New Mexico. Two basic models were used in the study; (1) a global model that simulates the mechanics associated with mining and subsidence and (2) a wellbore model that examines the resulting interaction impacts on the wellbore casing. The first model is a 2D approximation of a potash mine using a plane strain idealization for mine depths of 304.8 m (1000 ft) and 609.6 m (2000 ft). A 3D wellbore model then considers the impact of bedding plane slippage across single and double cased wells cemented through the Salado formation. The wellbore model establishes allowable slippage to prevent casing yield.

BLM - Potash file

"OIL AND GAS POTENTIAL ANALYSIS OF THE SECRETARY OF THE INTERIOR'S POTASH AREA, SOUTHEASTERN NEW MEXICO"
PRRC REPORT 09-07, NOVEMBER 13, 2009



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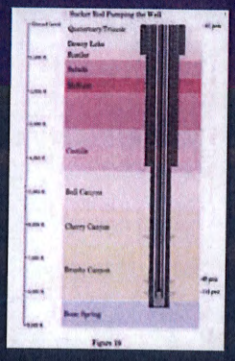


OIL AND GAS STAKEHOLDER COMMENTS: "GEOMECHANICAL ANALYSIS TO INVESTIGATE WELLBORE/MINE INTERACTIONS IN THE POTASH ENCLAVE OF SOUTHEASTERN NEW MEXICO," SANDIA NATIONAL LABORATORIES REPORT SAND 2009-4795, AUGUST 2009.

2. SNL assumed that gas migration occurs in the potash bearing Salado formation; therefore, SNL concluded that actual gas migration did not need to be studied.
   - This is in complete disregard for the central charge specified in the project's scope of work and suborns the entire purpose of the study.
   - The assumption is not supported by the history of concurrent development of oil and gas and potash, geologic studies, MSHA conclusions regarding gassy mine classification standards, well production and reservoir engineering studies, and the extensive and directly relevant Waste Isolation Pilot Project (WIPP) studies.
3. SNL assumed that failure of the well bore occurs when subsidence deformation exceeds the yield strength in any of the casings (pipe) in a well bore, therefore, allowing gas or fluids into the potash formations.
   - It is common knowledge that yielding of the steel casing does not constitute a failure of the well bore and loss of well bore pressure integrity and gas leakage.
   - Casing failure does not occur until the ultimate strength of the casing is exceeded, which occurs at much greater strains and stresses than the yield strength.
   - A study that addresses casing yield rather than casing failure has no relevance to gas migration or safety hazards allegedly posed by oil and gas operations.
   - Even the Potash Stakeholders agreed that the relevant issue is casing shear (failure), rather than casing yield. As their letter of September 25, 2008 states: "The yield limit for the steel may be an appropriate parameter for assessing the allowable stretch in the casing and tension on threaded casing, but the expected critical deformation is shear as the borehole is forced to accommodate cross-bedding slip; crushing or buckling of the casing might be the appropriate parameter to evaluate. A major concern is that buckled casings prevent workovers and proper abandonment even if the casing is still technically tight."
4. SNL considered only the 1988 New Mexico Oil Conservation Division regulation well bore designs and did not review or consider casing design alternatives that take into account current technology and reservoir knowledge.
   - Federal regulations applicable to the Secretarial Area ("1986 Order") affirmatively mandate that the BLM require well bore designs to prevent infiltration into the surrounding formation by hydrocarbons from a well bore.
   - Well bore integrity will be assured by a properly designed, cased and cemented well.
   - Well bore designs around the world are successfully developed to address anticipated environments including subsidence and high pressure gas.
   - The Oil and Gas stakeholders provided SNL (and can provide additional site specific) safe well bore design(s) that will accommodate significant subsidence deformation, in the event a field validation study establishes that such deformation actually occurs. SNL claims that any well designs other than what is currently mandated are "theoretical," "novel," "unproven," and "unconventional." This is simply incorrect. The reason for the current design is that it satisfied all parties in 1951 when it was proposed. There are many possible standard casing designs used in the petroleum industry that would make the oil and gas/mining interaction even safer than it is today. Just because SNL doesn't know about them—and did not take the opportunity to be educated about them-- doesn't make these modern drilling technologies "unconventional" and SNL's failure in this regard simply illustrates SNL's complete lack of knowledge of well bore design.

- SNL failed to consult with any person with knowledge of well bore design to address these issues and simply assumed that because it had no knowledge relating to wellbore design, such designs were "theoretical."
- Well bore design guidelines must allow the BLM and operators to agree on various designs to prevent infiltration of hydrocarbons. A single design does not address all drilling and mining scenarios.
- The Potash Stakeholders shared the concern of the Oil and Gas Stakeholders that additional well and completion designs should be considered. A joint Intrepid Potash and Mosaic Company letter to SNL asks whether Sandia would "research the range of well completions that have been used, are being used, and are being contemplated" and whether Sandia would "identify and suggest modifications to the well completion standards that reduce the risk?"
- The SNL Report improperly assumes that oil and gas wells will not be drilled or operated as planned or approved. This assumption is not based on any evidence; nor is any factual support provided for this conclusion. It must be noted that BLM approves all drilling and operating procedures for wells, and that BLM has the option to be present at all phases of drilling and completing wells in the Secretarial Area. BLM also has the duty to monitor operations of all such wells.

5. SNL made no distinction between low pressure oil wells and deep gas wells.
   - Naturally occurring pressures in the potash formations will exceed the producing pressure of low pressure oil and gas wells, making it impossible for oil or gas to flow into the potash bearing formation.
   - Formation and producing pressures of deep gas wells decline over time and with setbacks and proper design can be safely drilled and produced in the Secretarial Area as they have been in the past.
6. SNL did not validate its numerical models.
   - All geotechnical models must be validated by field tests to have any validity and utility.
   - Field tests can both support and show failures in the models.
   - At a minimum, existing wells in the mined areas should have been used to validate the study.
   - SNL claims it can not address well bore design or conduct a validation of its models due to a lack of funding.
   - If the study is not based on sound science including field validation it has little value in addressing the concerns of concurrent development.
   - The single most important validation would be for the SNL models to predict the known behavior (no shearing) in 89 wells actually inside the potash mines and the numerous wells near the mines. The current SNL model predicts that virtually every existing well should have been sheared. To date, in over 60 years of concurrent development, no well has experienced shearing. Therefore the model is of no use.
   - The joint Intrepid Potash and the Mosaic Company letter to SNL (dated September 25, 2008) commenting on the study draft plan reflects that the Potash Stakeholders shared this concern, wherein it states as follows: "The scope of Sandia's draft plan should be broadened, as it focuses on computer modeling to the exclusion of field studies, the collection of original data, the analysis of that data, and other research," and "[t]he New Mexico Potash Producers wonder why no field measurements are proposed as part of the study."

7. SNL failed to properly review pertinent literature, and conducted an improper "peer review".

- SNL failed to consider the more than 20 published reports on casing design, none of which used yield of the casing as criteria for casing failure.
- SNL published the SNL Report with unlimited release in August 2009 without stakeholder review and comments, contrary to BLM's assurance that stakeholder comments would be received and reviewed prior to publication.
- The peer review process utilized by BLM/SNL was meaningless and scientifically unacceptable because the stakeholder comments were not solicited prior to peer review so that the peer reviewers would have the benefit of such comments when considering the SNL Report.
- None of the three internal reviewers acknowledged in the report have an oil and gas technical background.

SUMMARY AND JOINT INDUSTRY STUDY:

- Sandia completely failed to address gas migration.
- SNL assumptions are not substantiated by scientific literature or field observations in the Secretarial Area.
- The numerical models are not validated and therefore cannot be used for policy decisions.
- Alternative well casing designs were not considered as is required by the 1986 Order.
- The DOI/BLM cannot make policy changes based on any gas migration study unless the models used are validated either by known behavior of the wells in and around the mines or by future field tests.
- Potash Stakeholders have expressed many of the same concerns as oil and gas stakeholders as indicated by their letter to SNL on comments for the draft study plan. Apparently, SNL ignored the comments of the Potash Stakeholders when those comments shared the concerns of the Oil and Gas Stakeholders.
- In order to resolve the flaws in the SNL Study, a group of potash and oil and gas stakeholders propose to conduct a Joint Industry Study at their own expense that will develop a monitoring and testing protocol to provide sufficient data to prepare a gas migration/setback plan that will allow for safe, maximum ultimate recovery through concurrent development of both potash and oil and gas deposits in the Secretarial Area.
- The industries propose to conduct a joint industry scoping meeting within the next 60-90 days to determine the parameters of the issues to be studied. The following topics will be among the matters discussed at the scoping meeting: (1) conducting wellbore tests and running logs in existing wells within mine workings or within 3/4 mile of existing mine workings to determine issues relating to casing and cement yield; (2) drilling one of more wells in advance of mining and monitoring the well(s) through the mining process to determine issues relating to subsidence; (3) conducting an overview of the WIPP gas migration studies and other existing literature on gas migration and subsidence; (4) designing and proposing alternative well bore designs and drilling and producing methodologies for particular circumstances, and (5) ongoing testing and monitoring to ensure safe concurrent development.
- The purpose of the Joint Industry Study will be to address all pertinent issues on gas migration and subsidence in a timely, efficient, cost effective, and scientifically valid manner, consistently with the actual field history and data. Specifically, the Joint Industry Study will address: (1.) gas migration, (2.) well bore design, (3.) rock mechanics, (4.) oil

and gas operating practices, (5.) mining operations practices, and any other pertinent issues. The industries anticipate that knowledgeable persons from the Carlsbad Field Office will be involved in the process. The industries also anticipate providing the results of the scoping meeting and the preliminary plan for the Study to BLM Carlsbad Field Office on or before April 15, 2010. The length of time required for conducting the Joint Industry Study will be determined by the items to be included in the study

- At the conclusion of the Joint Industry Study, the parties will make agreed upon recommendations for policy changes, if any, to DOI/BLM, consistent with the science and actual field data, so as to result in safe, maximum ultimate recovery and concurrent development of both potash and oil and gas resources in the Secretarial Area.
- The parties request a commitment from DOI/BLM to cooperate with the Joint Industry Study by providing approvals to both industries for such operations requested by the industries as necessary to complete the Joint Industry Study in a timely, efficient, cost-effective and scientifically valid manner.
- The parties also request a commitment from DOI/BLM that APDs for well locations in the Secretarial Area will continue to be processed according to the 1986 Order, the extensive body of law interpreting the 1986 Order, and the 2009 NM State Office Directive

UNTAPPED OIL AND GAS RESERVES
SECRETARY'S POTASH AREA
SOUTHEASTERN, NEW MEXICO
PRRC Report 09-07

Existing Plays Only:

Primary recovery = 1.4 billion BOE (Barrels Oil Equivalent)	=	$40-$86 billion
Secondary recovery = 318 million barrels of oil	=	$16-$32 billion

Projected State and Federal Revenue

Federal Government	$2.5-$5.2 billion (excluding State of New Mexico MMS royalty shares)
State of New Mexico	$7.5-$15.8 billion (including MMS royalty shares, state royalty and taxes other than Ad Valorem)
Lea and Eddy Counties	$1.4-$3.0 billion

Oil and Gas Industry Review of the Sandia National Laboratories ("SNL") Report of the Potash Gas Migration Project: "*Geomechanical Analyses to Investigate Wellbore/Mine Interactions in the Potash Enclave of Southeastern New Mexico*," ("SNL Report").

GENESIS AND INTENDED PURPOSE OF THE SANDIA GAS MIGRATION STUDY:

In 2007, an agreement was reached between the Secretary of the Interior and four Members of the US Senate with long-time interests in resolving the continuing controversy over concurrent oil and gas and potash development in the Secretarial Area as to how to mitigate and perhaps even eliminate the dueling assertions of fact that had seriously impeded discussion of a revised concurrent development policy for those resources in that area. Pursuant to that agreement, in July, 2007, the Department of the Interior (DOI) contracted with Sandia National Laboratories (SNL) to perform two separate studies, each of which addressed a separate key factual dispute., In one of the studies SNL was to research whether gas associated with the drilling and operation of oil and gas wells could migrate through the underground strata of the Secretarial Area and create a threat to miners working in potash mines. The studies were expected by mid-2008. On September 9, 2009, SNL published its "*Geomechanical Analyses to Investigate Wellbore/Mine Interactions in the Potash Enclave of Southeastern New Mexico*," ("SNL Report") and solicited public comment by November 9, 2009. This report purports to represent the gas migration study that DOI contracted for in response to the 2007 agreement between the Secretary of the Interior and the four Senators. In reality, the SNL Report did not study gas migration and provides no basis for resolving the factual issue of whether oil and gas development creates a safety threat to potash miners and two years of time and hundreds of thousands of dollars of Interior's funding has been wasted.

PROJECT SCOPE:

The Statement of Work ("SOW") between DOI and SNL required SNL to: "Develop a technically sound analysis of potential risks and risk resolutions associated with the concurrent development of both oil & gas and potash production within the potash enclave of southeastern New Mexico, with respect to issues of potential gas migration from well bores toward underground potash mines."

Notwithstanding the clear terms of the SOW, the SNL Study did not study or analyze gas migration from "well bores toward underground potash mines" as required by the SOW. Rather, the SNL Report is limited to developing two numerical geomechanical models. As summarized below, for a remarkable number of procedural, methodological and scientifically substantive reasons, these models do not provide a "technically sound analysis of potential risks and risk resolutions" necessary for policy decisions for concurrent development. The SNL Report based on those models is virtually irrelevant and useless for the purpose of determining whether there actually is any safety threat whatsoever to potash miners from oil and gas drilling in the Secretarial Area.

FLAWS WITH SNL PROCESS:

1. The SOW required the process to be open and transparent to interested parties. The process was not open or transparent as SNL reached scientific conclusions and prepared a draft analysis plan prior to meeting with the Oil and Gas Stakeholders, and excluded advisors and managers for the

Oil and Gas Stakeholders from the sole meeting between Oil and Gas Stakeholders and the SNL scientists and BLM personnel responsible for the study.

2. When SNL did meet with oil and gas representatives ostensibly to discuss the study and oil and gas company comments, SNL expressed a point of view as to the importance of the potash reserves relative to the oil and gas reserves – a point of view clearly inappropriate and outside the purview of SNL's proper scope of duties under the SOW. For example, SNL asked why the oil and gas companies "didn't just go drill somewhere else and leave the Secretarial Area alone."

3. These comments and the process followed by SNL reflected from the beginning a decided bias in favor of potash mining operations and against oil and gas operations which is demonstrated in the final SNL Report itself. For example, the SNL Report at p. 202 assumes that oil and gas operations simply will not occur as planned or approved by federal and state regulators, thus exposing potash minors to risks from drilling. This is an assumption without any factual support, because no factual support exists for such assumptions. Notably, the SNL Report fails to make similar assumptions with regard to potash operations, notwithstanding the fact that there are documented instances of potash operators having mined up to pre-existing wellbores (albeit without any safety incidents).

4. SNL also conveyed that the study was completed before SNL even met with the Oil and Gas Stakeholders. During the course of these exchanges between the two parties it became apparent that SNL:
   - Did not consider the oil and gas input prior to preparing its draft report (none of the technical professionals actually doing the modeling had been apprised of any of the Oil & Gas past potash studies or the joint Oil & Gas and Trona Mine studies in Wyoming which were provided to SNL by the Oil and Gas Stakeholders several months *prior* to the meeting). When pressed about this serious problem, SNL expressed that it did not intend to revisit the information or revise the draft;
   - The SNL project leader stated that SNL would not provide risk resolutions as this was beyond the scope of their project even though risk resolution was specifically included in the SOW; and,
   - Claimed SNL was out of funding and could not modify its work to comport with the SOW.

SCIENTIFIC FLAWS WITH SNL REPORT:

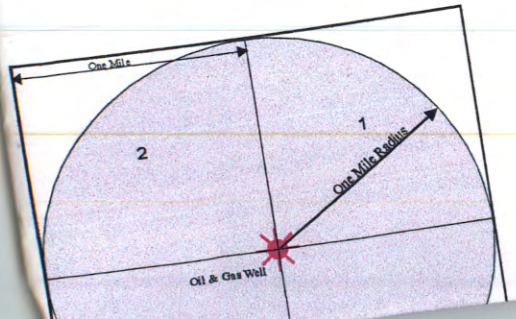
1. The SNL Report is limited to the development of two numerical models of (1) mine-induced subsidence deformation and (2) the impact of this deformation on the integrity of the oil and gas well bore at some distance from the mine.
   - The study focused only on long wall mining using a two dimensional model which does not consider barrier pillars between mine panels and irregular mine edges that can only be modeled using a three-dimensional model.
   - A similar study, jointly conducted by the oil/gas and Trona mining companies in Wyoming, found that a two-dimensional model was not accurate and had to be converted to a three-dimensional model to match the validation wells. This resulted in a significant change in the Trona study's results and recommendations. SNL ignored the Trona finding that the two-dimensional model was insufficient to match the validation tests.
   - Room and pillar mining is still used to mine potash in the Secretarial Area in Eddy and Lea Counties, New Mexico, and it was not studied.
   - Solution mining has been proposed and was not considered.

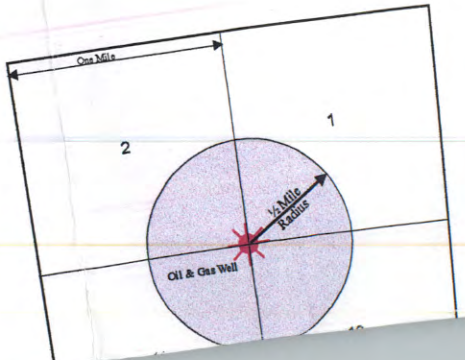
Value Comparison of Minerals (Potash to Oil & Gas)

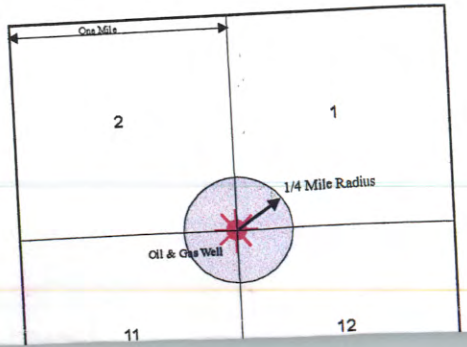
"DRILLING ISLAND" 1986 SECRETARIAL ORDER ONE MILE BUFFER	
UE OF OIL	
rage recovery per well (bbls)	125,000
Price (per bbl)	$70
ue of Oil Well	$8,750,000
oyalties paid to Federal Government @ 12.5%	$1,093,750
VALUE OF POTASH	
Average thickness of ore (ft.):	4.5
Average ore grade (%K2O as sylvite)	12
Cubic ft ore/ton	15.3
Radius of Well Buffer (ft.)	5,280
Ore tonnage within a 1 mi radius of well	25,746,522
Assume 90% Mine Recovery	23,171,870
Ore Recovered through Mining:	23,171,870
Potash Product Tons Lost:	3,707,499
Potash Product Price/Ton	$400.00
Potash Product Value Lost:	$1,482,999,688
Royalties paid to Federal Government @ 3.5%	$51,904,989
Ratio of Gross Potash Value to Gross Oil Value	169:1
Ratio of Potash Royalty to Oil Royalty	47:1

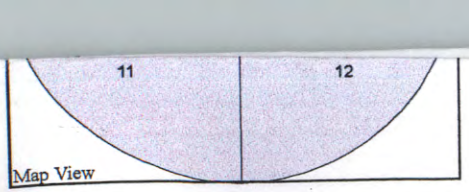
NEW MEXICO REGULATION R-111-P "DEEP WELL" ONE-HALF MILE BUFFER	
VALUE OF OIL	
Average recovery per well (bbls)	125,000
Oil Price (per bbl)	$70
Value of Oil Well	$8,750,000
Royalties paid to Federal Government @ 12.5%	$1,093,750
VALUE OF POTASH	
Average thickness of ore (ft.):	4.5
Average ore grade (%K2O as sylvite)	12
Cubic ft ore/ton	15.3
Radius of Well Buffer (ft.)	2,640
Ore tonnage within a .5 mi radius of well	6,436,631
Assume 90% Mine Recovery	5,792,968
Ore Recovered through Mining:	5,792,968
Potash Product Tons Lost:	926,875
Potash Product Price/Ton	$400.00
Potash Product Value Lost:	$370,749,922
Royalties paid to Federal Government @ 3.5%	$12,976,247
Ratio of Potash Value to Oil Value	42:1
Ratio of Potash Royalty to Oil Royalty	12:1

NEW MEXICO REGULATION R-111-P "SHALLOW WELL" ONE-QUARTER MILE BUFFER	
VALUE OF OIL	
Average recovery per well (bbls)	125,000
Oil Price (per bbl)	$70
Value of Oil Well	$8,750,000
Royalties paid to Federal Government @ 12.5%	$1,093,750
VALUE OF POTASH	
Average thickness of ore (ft.):	4
Average ore grade (%K2O as sylvite)	15
Cubic ft ore/ton	1,3
Radius of Well Buffer (ft.)	1,609,1
Ore tonnage within a .25 mi radius of well	1,448,2
Assume 90% Mine Recovery	1,448,2
Ore Recovered through Mining:	231,7
Potash Product Tons Lost:	$400
Potash Product Price/Ton	$92,687,
Potash Product Value Lost:	$3,244,
Royalties paid to Federal Government @ 3.5%	
Ratio of Potash Value to Oil Value	
Ratio of Potash Royalty to Oil Royalty	









"No Island shall be established within one mile of any area where approved mining operations will be conducted within three years."

Secretary's 1986 Order
Federal Register 51 No. 208 p. 39426

"A deep well shall be drilled no closer than one-half mile from the LMR."

State of New Mexico Energy, Minerals and Natural Resources Department Oil Conservation Commision, Case No. 9316, Order No. R-111-P.

"A shallow well shall be drilled no closer to the LMR than one-fourth (1/4) mile or 110% of the depth of the ore, whichever is greater."

State of New Mexico Energy, Minerals and Natural Resources Department Oil Conservation Commision, Case No. 9316, Order No. R-111-P.

UNITED STATES DEPARTMENT OF INTERIOR
INTERIOR BOARD OF LAND APPEALS

IN THE MATTER OF YATES PETROLEUM CORP., ET AL.	**IBLA 2003-341, IBLA 92-612, et. al.** **Appeal of Decision and Order of Administrative Law Judge Patricia McDonald, U.S. Department of Interior, Office of Hearings and Appeals, dated July 7, 2003**

AFFIDAVIT IN SUPPORT OF
MOTION TO PARTIALLY LIFT THE STAY

RANDY G. PATTERSON, being duly sworn, deposes and says:

1. I am the Vice President for Exploration and Production for Yates Petroleum Corporation ("Yates"). Yates is an independent producer of oil and gas. Since its founding in 1960, Yates has focused on developing oil and natural gas resources in New Mexico and the Rocky Mountains. In southeastern New Mexico, Yates holds state and private oil and gas leases, as well as federal oil and gas leases issued by the U.S. Department of Interior under the Mineral Leasing Act.

2. I make this affidavit in support of the Motion to Partially Lift the Stay filed by Yates in the above captioned proceeding.

3. Yates owns the oil and gas leases for each of the 19 APDs included in the Motion to Partially Lift the Stay. Additionally, Yates and Pogo Producing Company own the potash lease in Sections 8, 9, 10, 11, 14, and 23 and portions of Sections 3, 4, 5, 13, and 24 in T. 22 S., R. 31 E.

4. Yates's federal leases in the area of the Martha and Dolores APDs are being drained by wells on federal and state lands, and Yates could be liable to the BLM for compensatory royalties for this drainage. Approval of the Martha and Dolores APDs would help alleviate this drainage.

5. Yates filed APDs included in the Motion to Partially Lift the Stay in 1992 and 1993. Yates has been unable to develop its federal oil and gas leases for the past 12-13 years and continues to suffer economic harm.

6. **Stranded Investment.** To date, Yates has invested approximately $3,000,000 in attempting to develop their leases in the Secretary's Area. These expenditures cannot be recovered in a timely basis if Yates is prevented from developing their leases. In the event that the Stay Pending Appeal is continued, Yates will be unable to develop its leases in a prompt and efficient manner.

7. If the Stay is continued, it is expected that the development of the oil would be delayed several more months while the Interior Board of Land Appeals adjudicates the case. At a discount rate of 5%, the economic impact of stranding this investment is approximately $113,000.

8. **Stranded Oil Resources.** Yates estimates that it currently has approximately 6.25 million barrels of oil stranded in the Secretary's Area because of denied APDs. This oil will remain stranded until these APDs are remanded to BLM for further evaluation and approval. Additionally, Yates has approximately 5.0 million barrels of oil stranded under other leaseholds in the Secretary's Area. This is especially pertinent given the need for domestic oil production which has been heightened by the recent shortages in oil supplies in the wake of the the Gulf of Mexico. In addition to depriving American consumers of this oil, Yates approximately $305,000 in revenue per day, a substantial amount for a company like

9. **Royalties.** Yates estimates that the 19 APDs would produce 2,375,0 oil over their estimated life of 10 to 20 years. The royalties generated fro APDs would exceed $19 million split between the federal government and New Mex

10. **Delay of Revenue Stream.** Development of these oil resources is yield revenue and economic return that is important to Yates's growth. A reasonabl the revenue derived from two years' production from the 19 wells that would be delayed, if the stay is continued) is $46,312,500 (approximately $23,156,250 per yea

I declare under penalty of perjury under the laws of the United States of Americ foregoing is true and correct.

Executed on September 22, 2005 in Artesia, New Mexico.

Randy G. Patterson

SUBSCRIBED AND SWORN TO BEFORE ME this 22nd day of September, 20

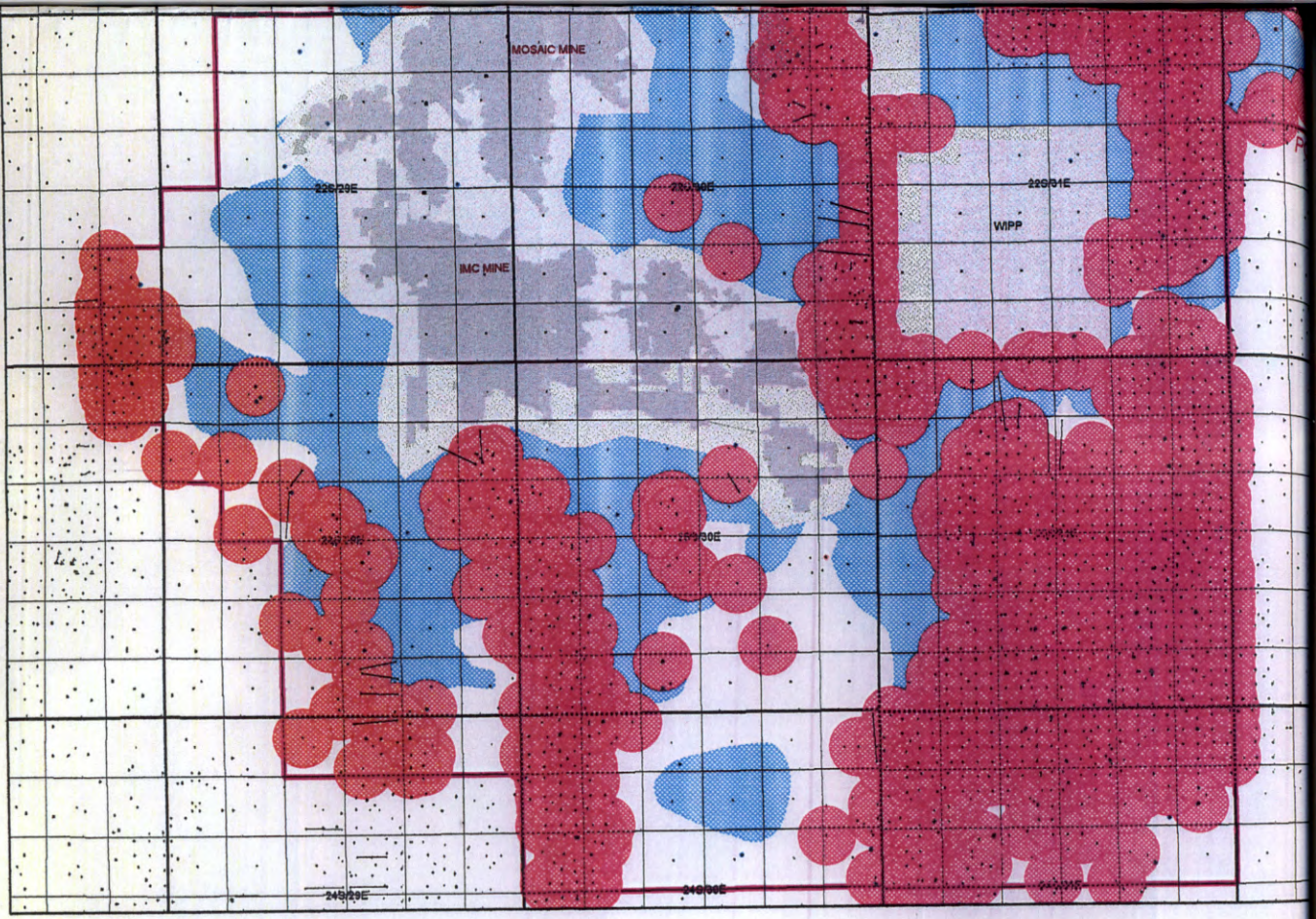
Notary Public in and for the State of Ne

Notary's Printed Name:

Miriam S. Worlow

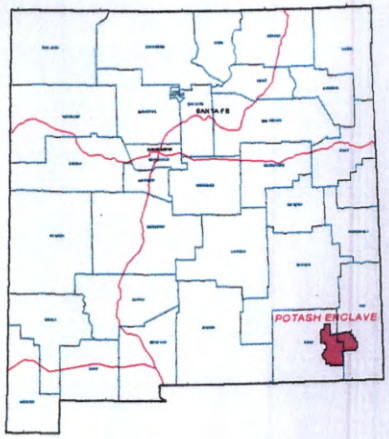
My Commission Expires:

OFFICIAL SEAL
MIRIAM S. WORLOW
NOTARY PUBLIC-STATE OF NEW MEXICO
My commission expires: 2-1-06



Drilled Wells

- Active "Deep" Well
  One Half Mile Pillar
- Active "Shallow" Well
  One Quarter Mile Pillar
- Inactive Since 1/1/2000
  1500' Pillar
- Plugged Well - 100' Pillar
- D&A Well - 100' Pillar



CONFIDENTIA

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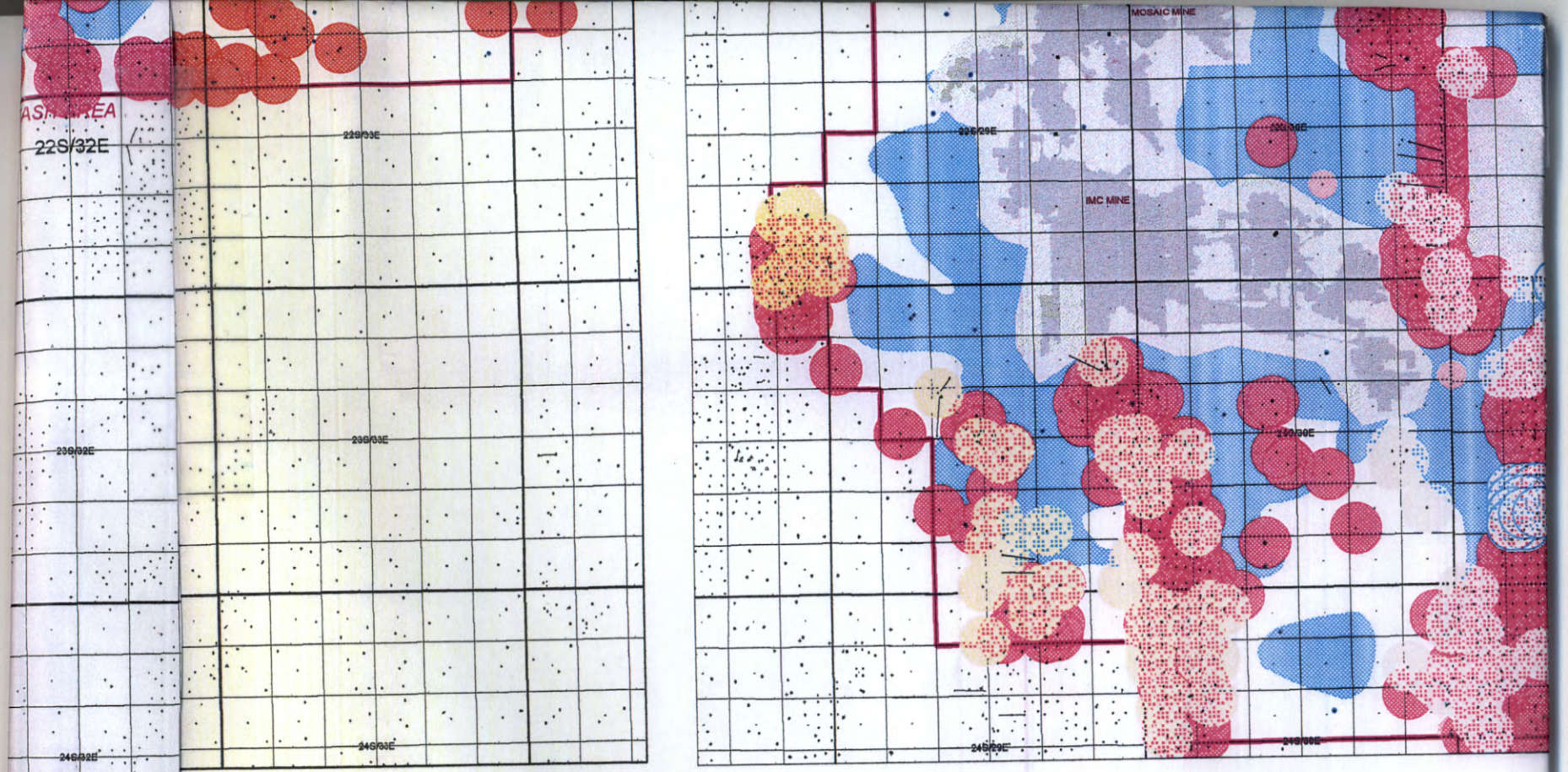


L DRAFT: WORK IN PROGRESS

1:150000
1 inch = 12500 fee

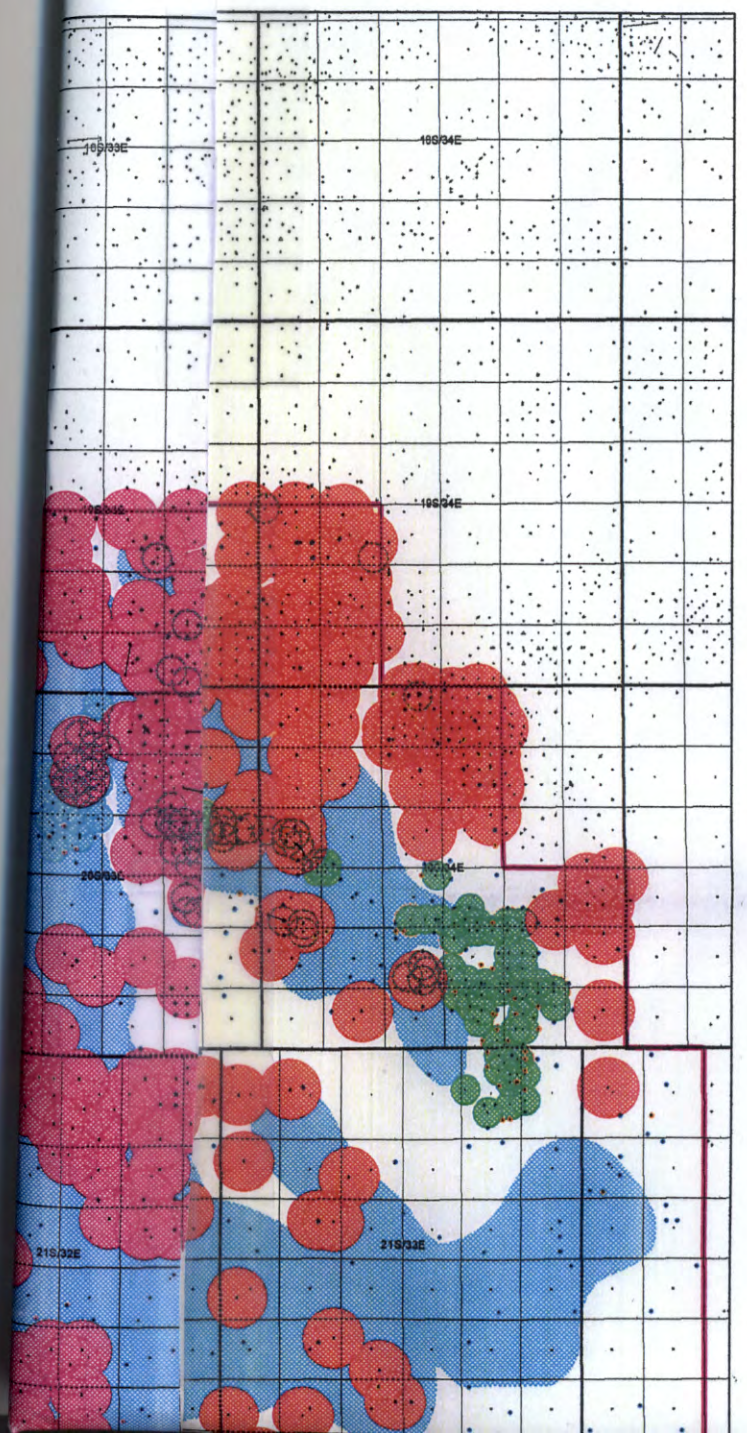
10000 20000 30000 40000 50000 ft

3 4 5 7 8 9 10 mi

Drilled Wells

- Active "Deep" Well One Half Mile Pillar
- Active "Shallow" Well One Quarter Mile Pillar
- Inactive Since 1/1/2000 1500' Pillar
- Plugged Well - 100' Pillar
- D&A Well - 100' Pillar
- Permits 2005-Present (Various Operators)
- Yates APD's at Issue: 78
- Bass Drilling Island: 16

Note: L for spe holes, progre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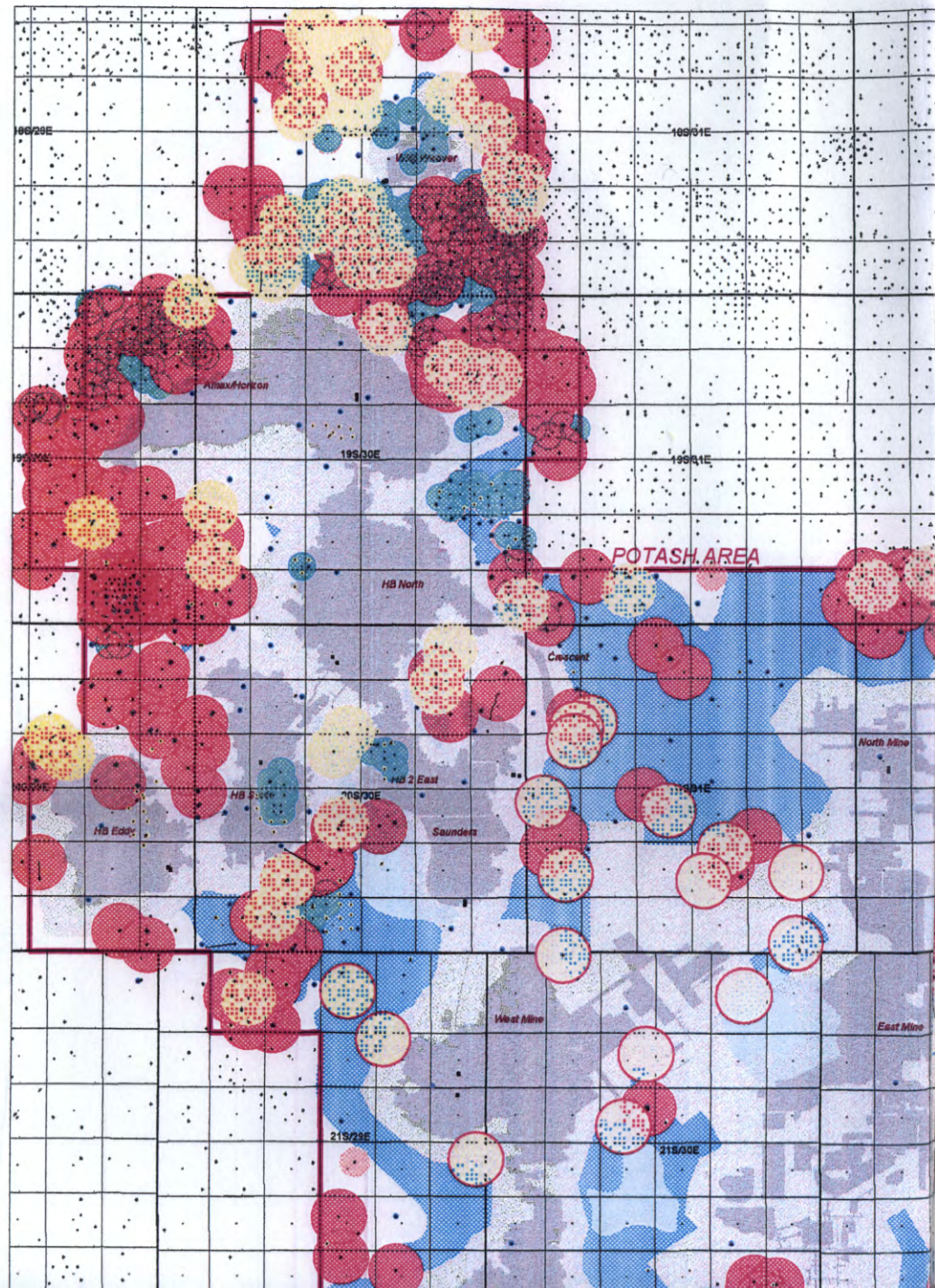
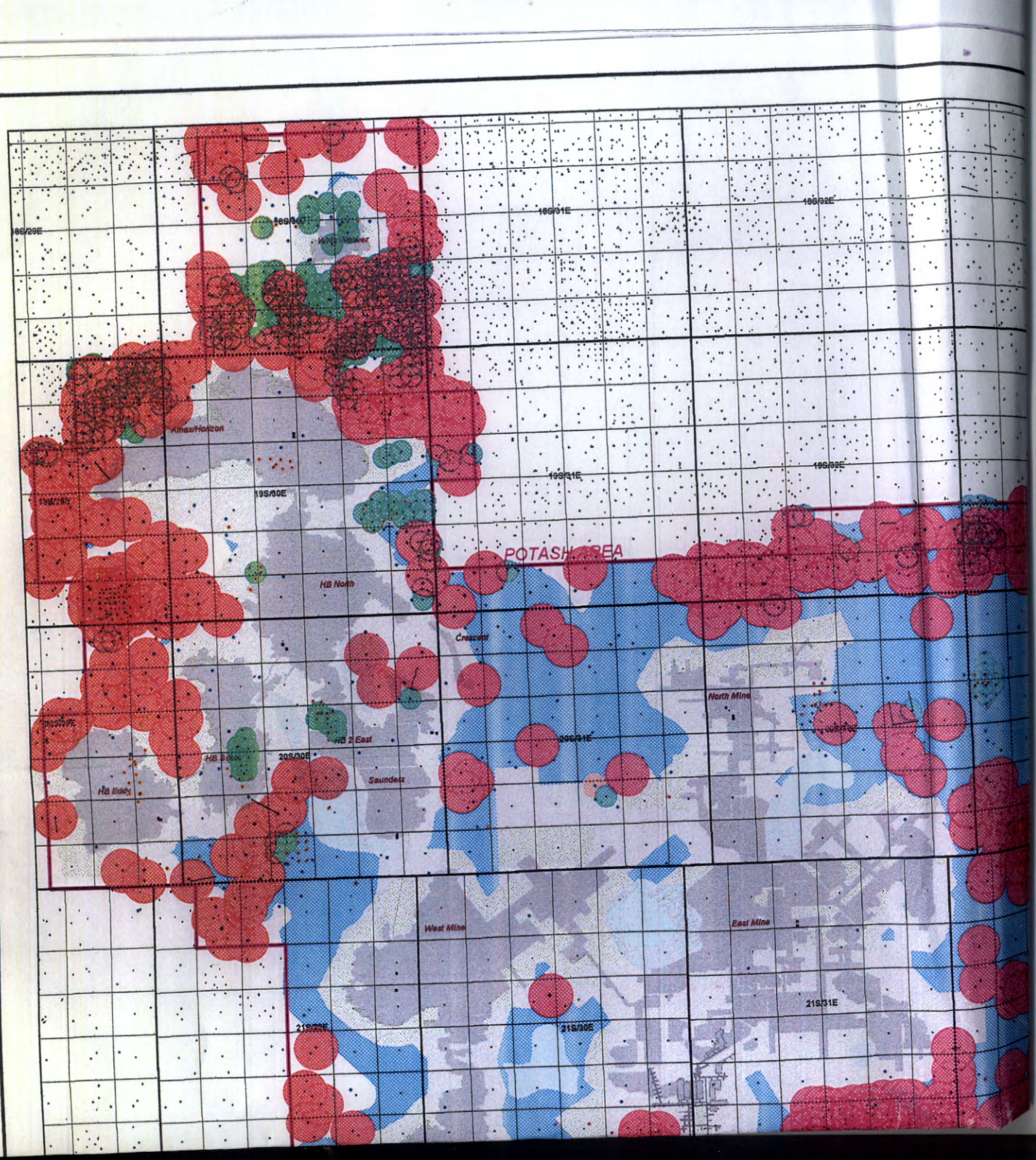

19S/29E
19S/31E
Almax/Horizon
19S/30E
19S/31E
POTASH AREA
HB North
Crescent
North Mine
HB 2 East
20S/30E
HB Eddy
Saunders
West Mine
East Mine
21S/29E
21S/30E



18S/29E
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Amax/Horizon
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POTASH AREA
HB North
Crescent
North Mine
HB 2 East
20S/30E
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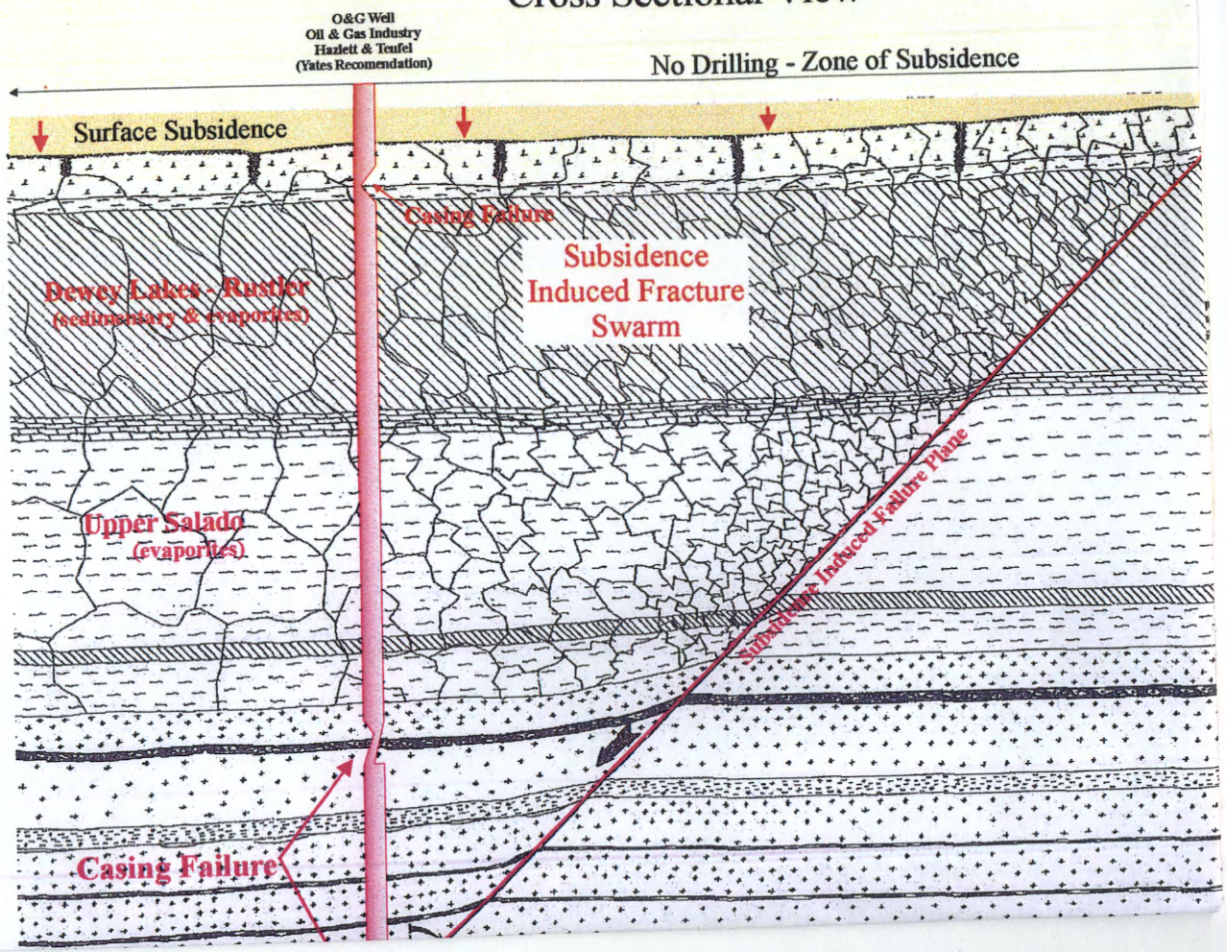
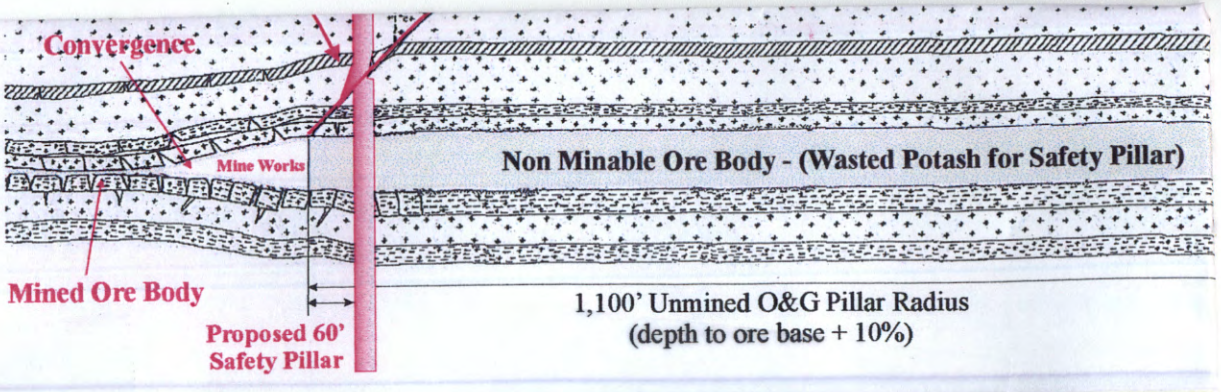
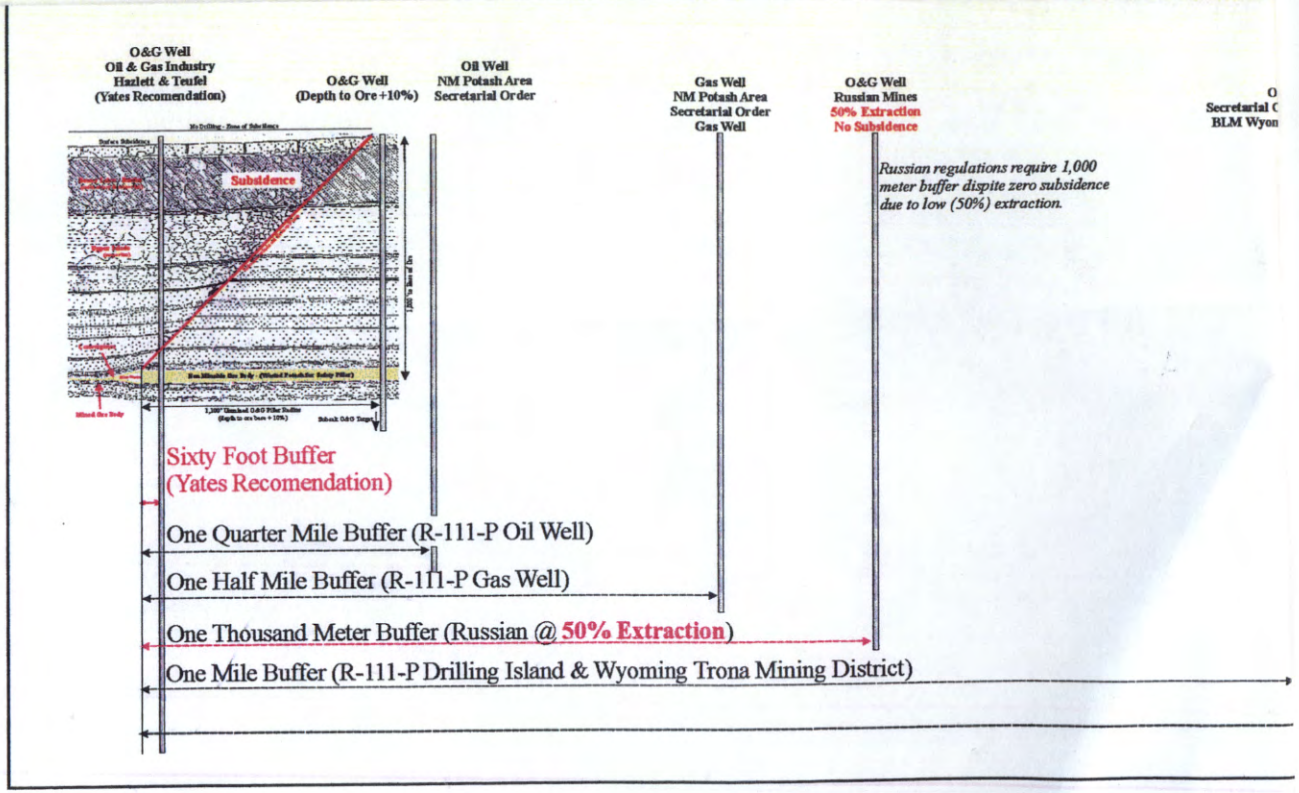
Saunders
HB Eddy
West Mine
East Mine
21S/31E
21S/30E

Scaled Comparison of

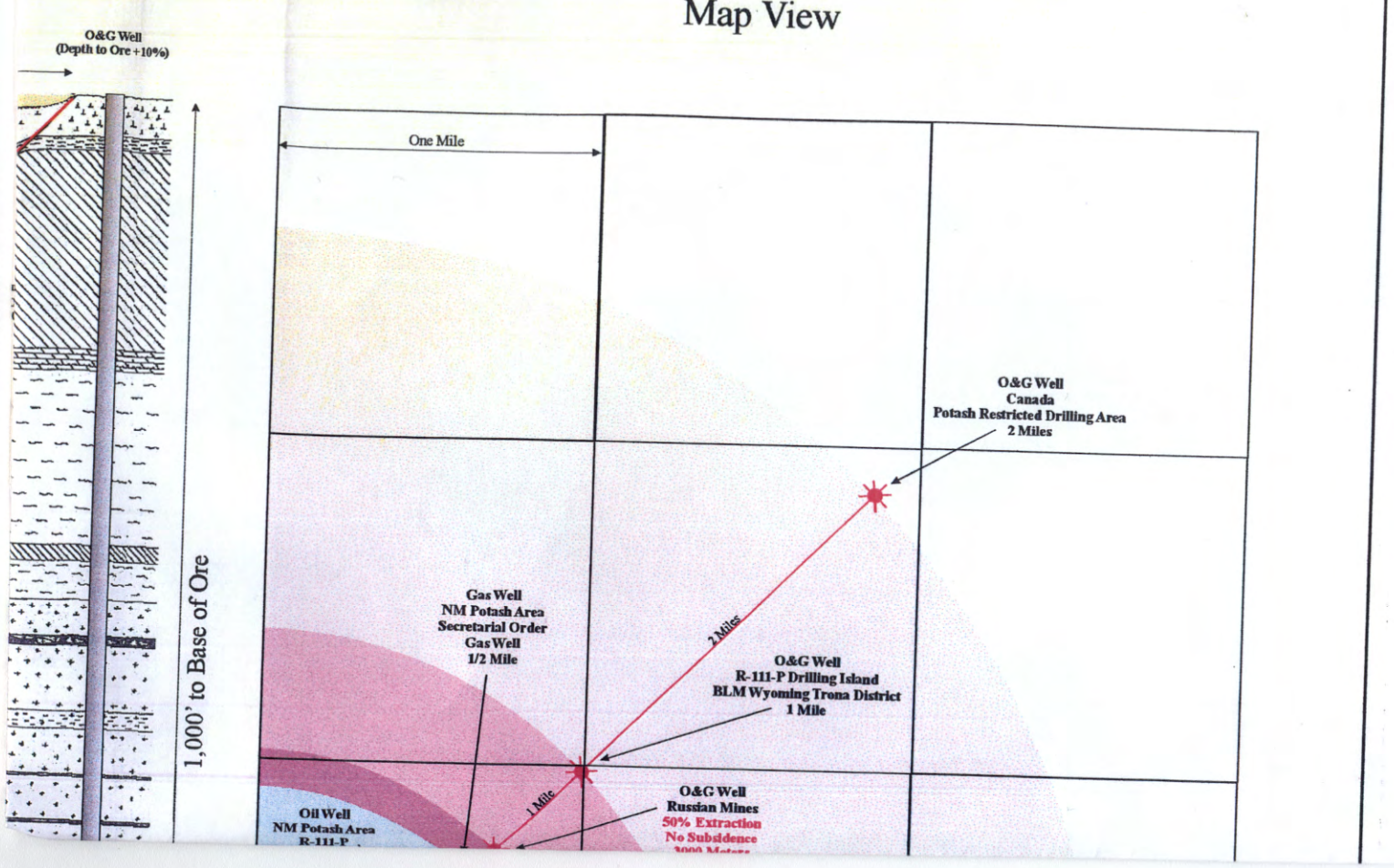
Cross Sectional View

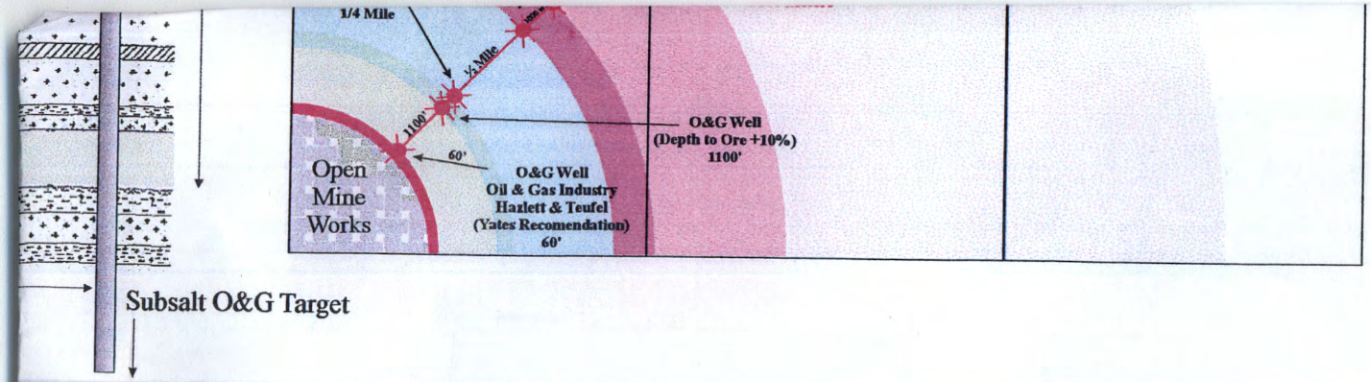



Convergence
Mine Works
Mined Ore Body
Proposed 60'
Safety Pillar
Non Minable Ore Body - (Wasted Potash for Safety Pillar)
1,100' Unmined O&G Pillar Radius
(depth to ore base + 10%)


O&G Well
Oil & Gas Industry
Hazlett & Teufel
(Yates Recomendation)
O&G Well
(Depth to Ore +10%)
Oil Well
NM Potash Area
Secretarial Order
Gas Well
NM Potash Area
Secretarial Order
Gas Well
O&G Well
Russian Mines
50% Extraction
No Subsidence
Subsidence
Russian regulations require 1,000 meter buffer dispite zero subsidence due to low (50%) extraction.
Sixty Foot Buffer
(Yates Recomendation)
One Quarter Mile Buffer (R-111-P Oil Well)
One Half Mile Buffer (R-111-P Gas Well)
One Thousand Meter Buffer (Russian @ 50% Extraction)
One Mile Buffer (R-111-P Drilling Island & Wyoming Trona Mining District)

Prohibited Drilling Safety Buffer





&G Well
rder Drilling Isand
ing Trona District

O&G Well
Canada
Potash Restricted Drilling Area

Subsidence Study References

1. "IT Corporation summarized subsidence observations made at potash mines in southeastern New Mexico (ITC94). Observed angles of draw, measured from vertical edge of the mine workings to the point where surface subsidence ceased, varied from 25 to 58 degrees...and subsidence varied from 16 to 66% of an assumed excavation height of 2.6 m (8.5 ft).

   Reference:
   U.S. Environmental Protection Agency. "Potential Effect of Mining on ground Water Flow and Radionuclide transport at the WIPP Site". U.S. Environmental Protection Agency, Washington, Technical Support Document for Section 194.23, May 1998.

2. "In its Background Information Document for 40 CFR Part 194-5, the EPA discussed the possible range in value of the angle of draw. The DOE used an angle of draw of 45° to be consistent with the EPA's discussions and calculations.

   Reference:
   B.A. Howard, M.B. Crawford, D.A. Galson, and M.G. Marietta. "Regulatory Basis for the Waste Isolation Pilot Plant Performance Assessment". *Reliability Engineering & System Safety*, v. 69, issues 1-3, September 2000, pp. 109-127.

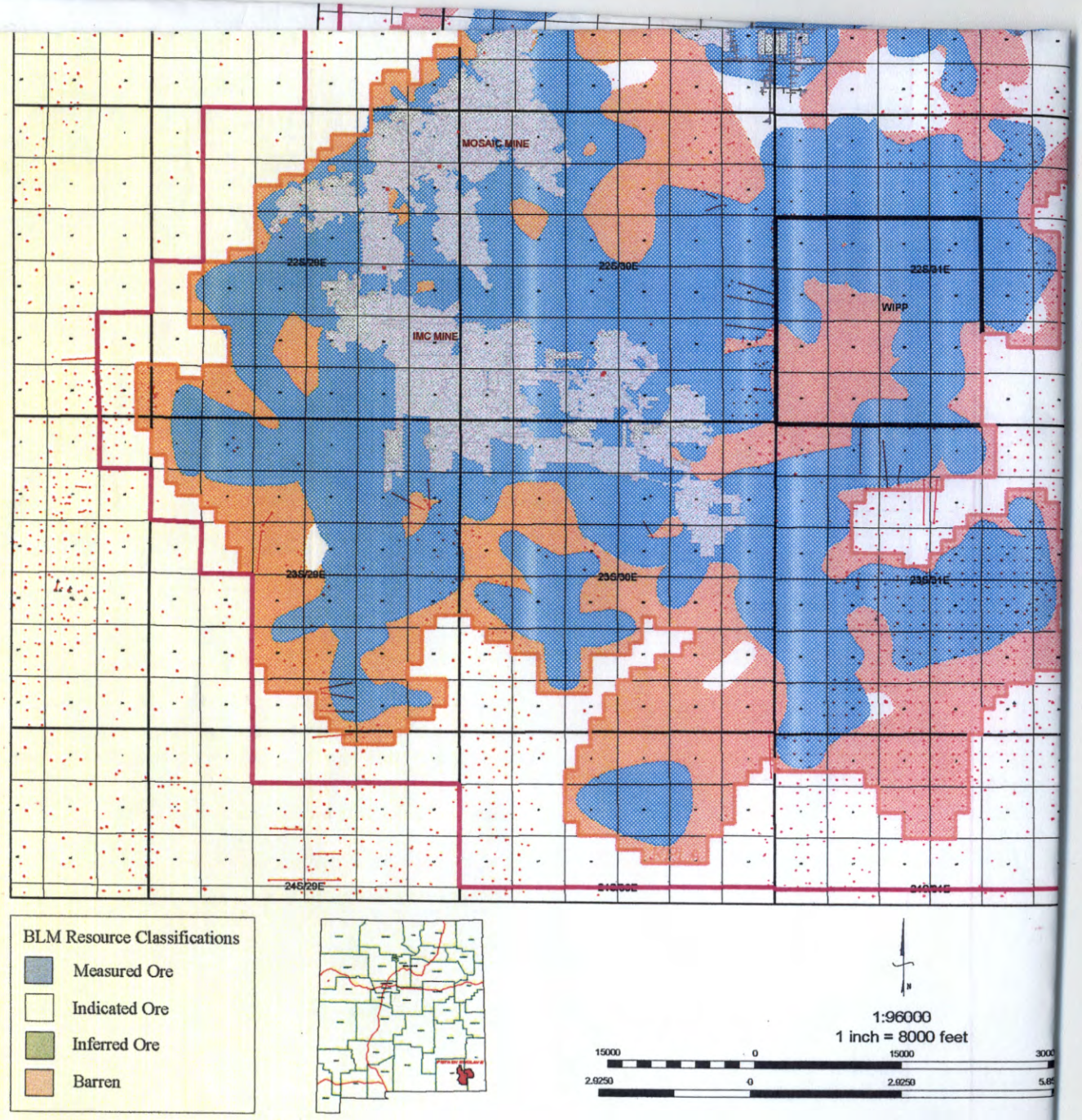
3. "Angles (of draw) computed…range from 33° to 51°".

   Reference:
   Deere, Don U. "Subsidence and Rock Pressure Conditions". U.S Borax & Chemical Corporation, internal company report, June 30, 1957, p.14.

4. "(Measured angle of draw) to where no surface movement occurs is 56° for an area bounded by room and pillar mining".

   Agapito & Associates. "Shaft pillar stability and dimensions: 5th and 6th levels". Mississippi Chemical Corporation, internal company report, March 1981, p. 8.

Two Mile Buffer (Canadian)


MOSAIC MINE
IMC MINE
WIPP
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24S/29E
24S/30E
24S/31E
BLM Resource Classifications
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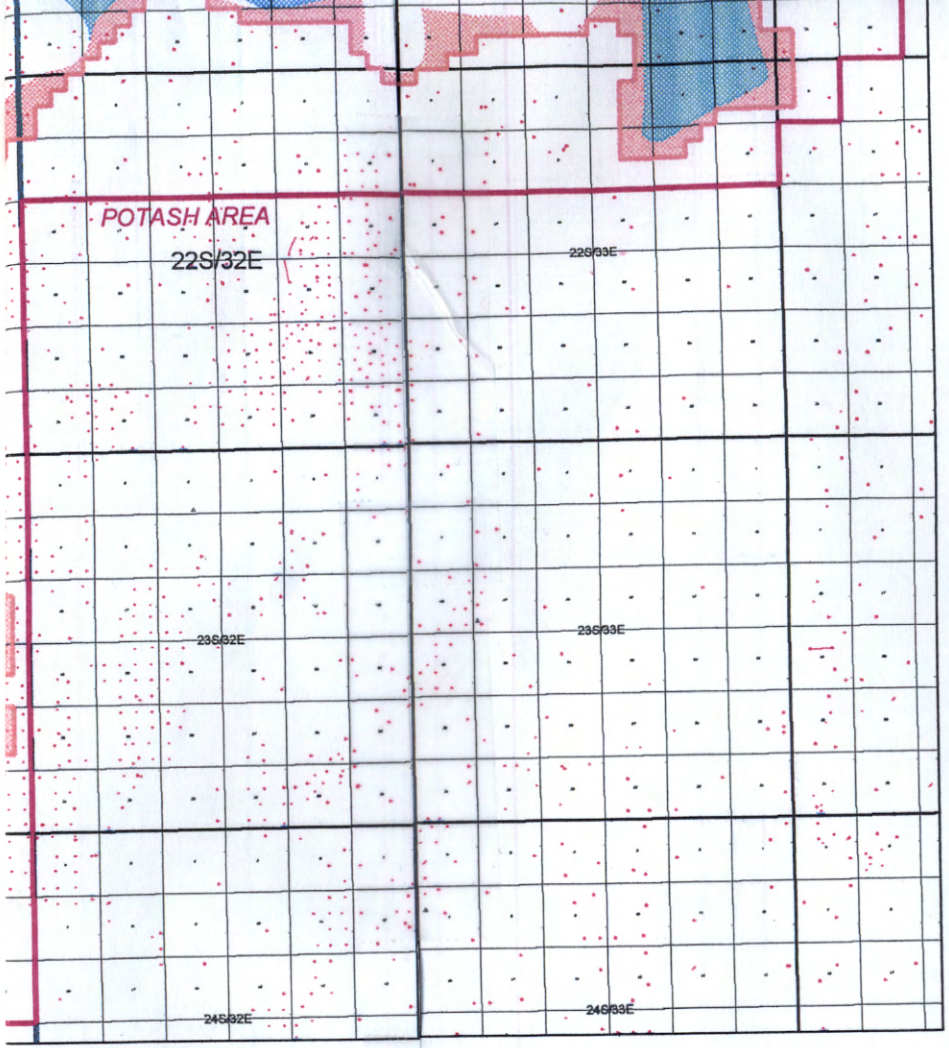


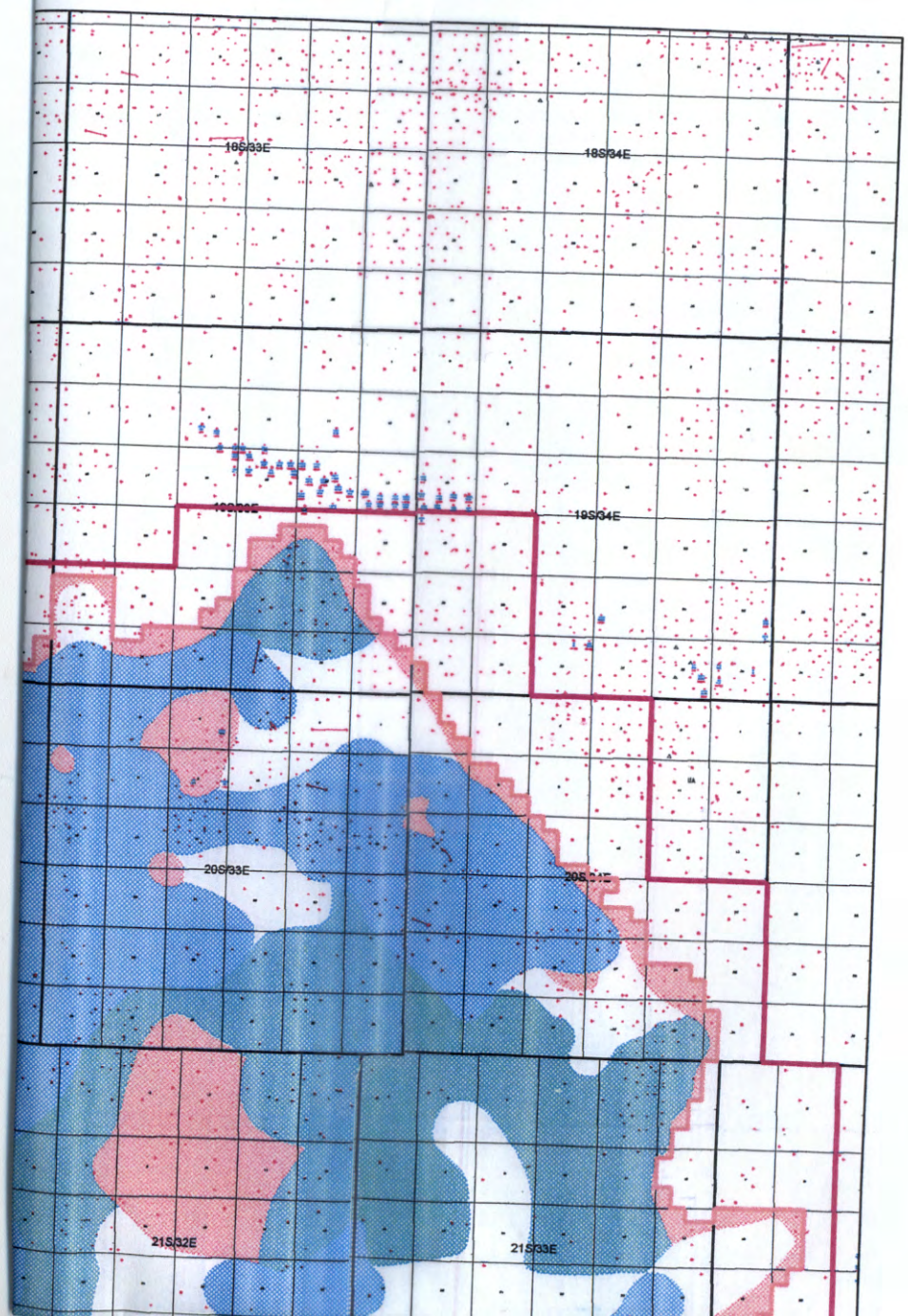
45000 ft

8.7751 mi

INTREPID MINING LLC

Potash Enclave
Eddy & Lea Counties, New Mexico
BLM Resource Map

File: BLM Resource Map		4/19/07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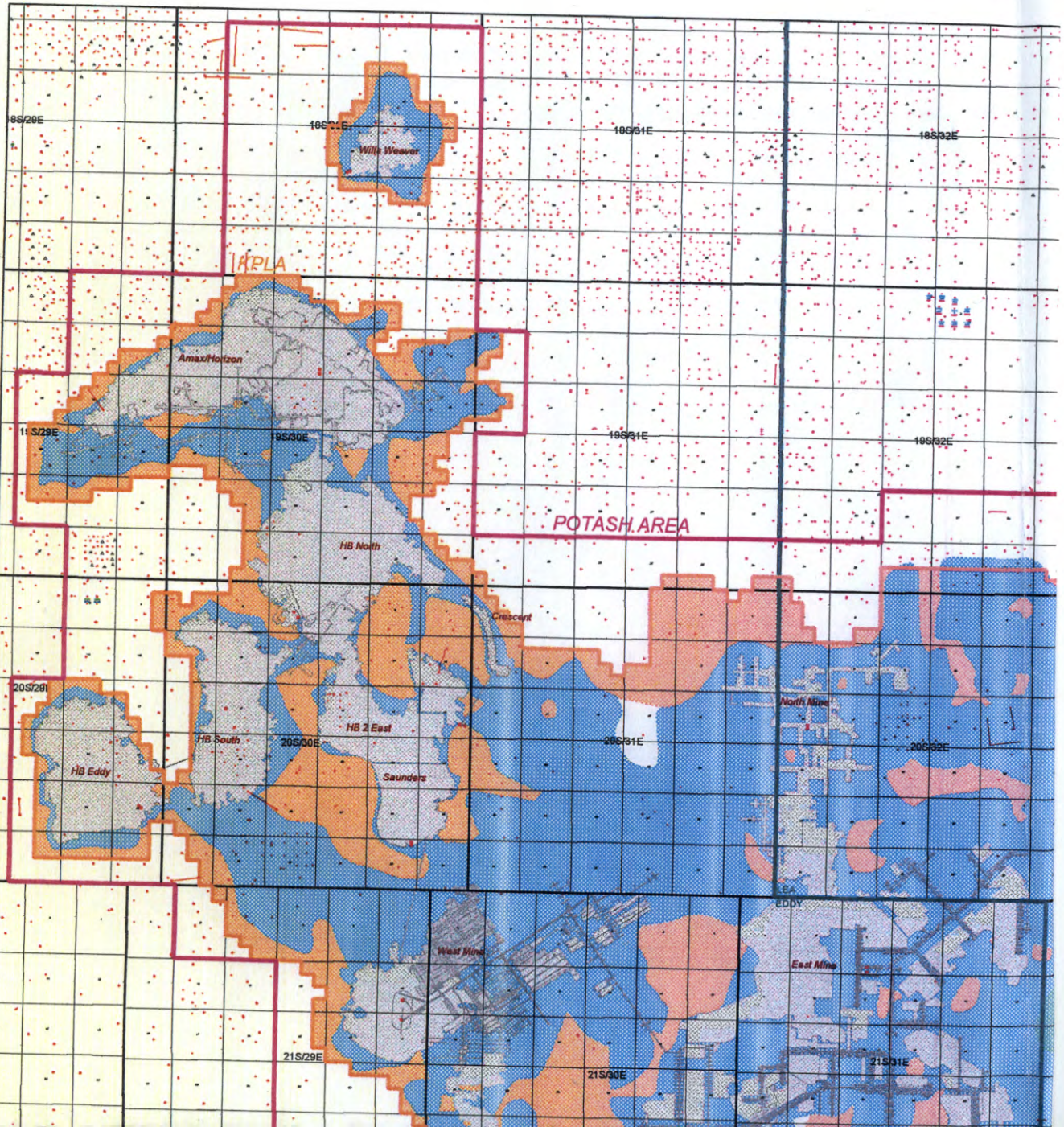
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POTASH AREA
HB North
Crescent
20S/29E
North Mine
HB 2 East
HB South
20S/30E
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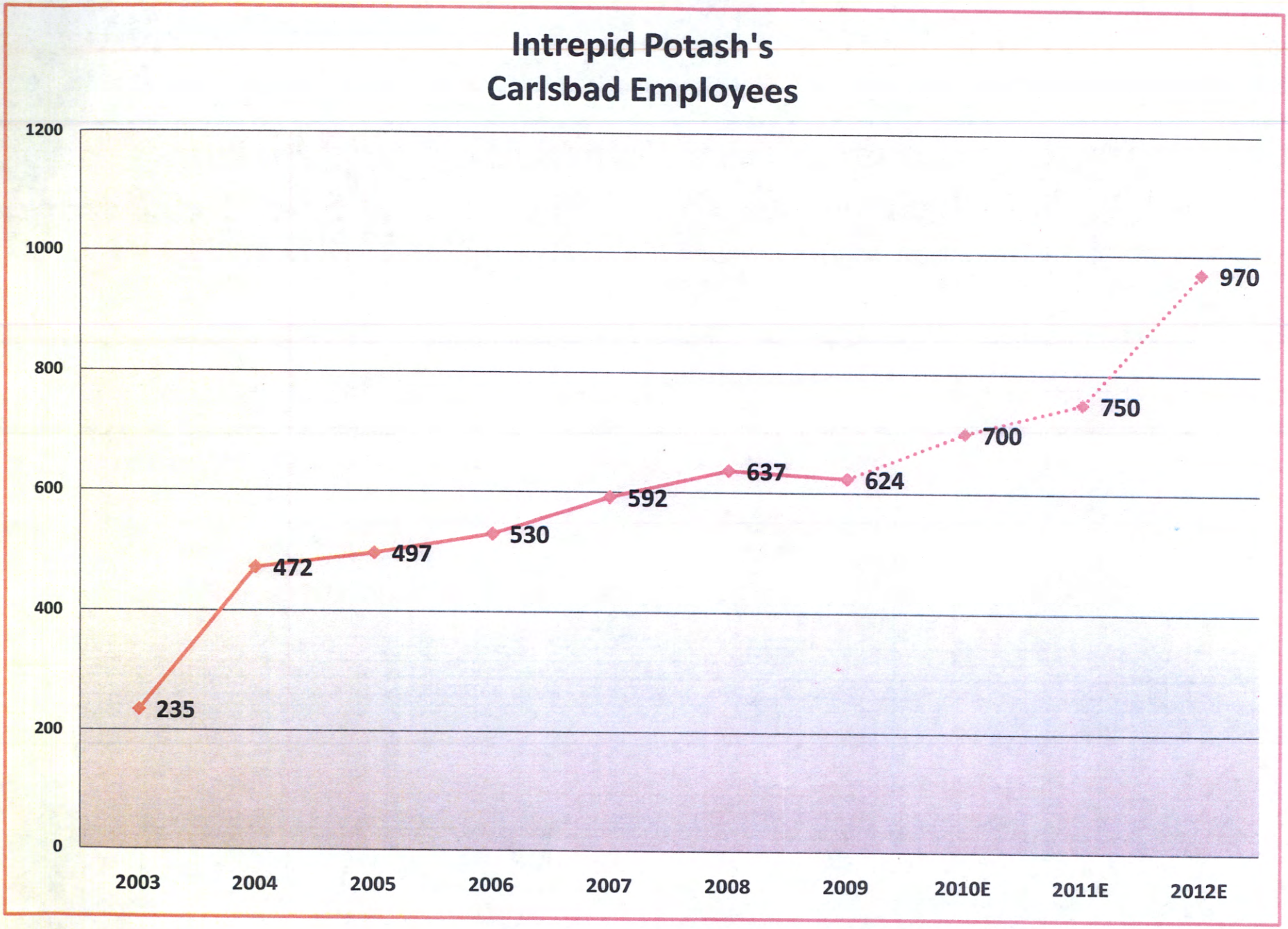
Intrepid Potash's
Carlsbad Employees
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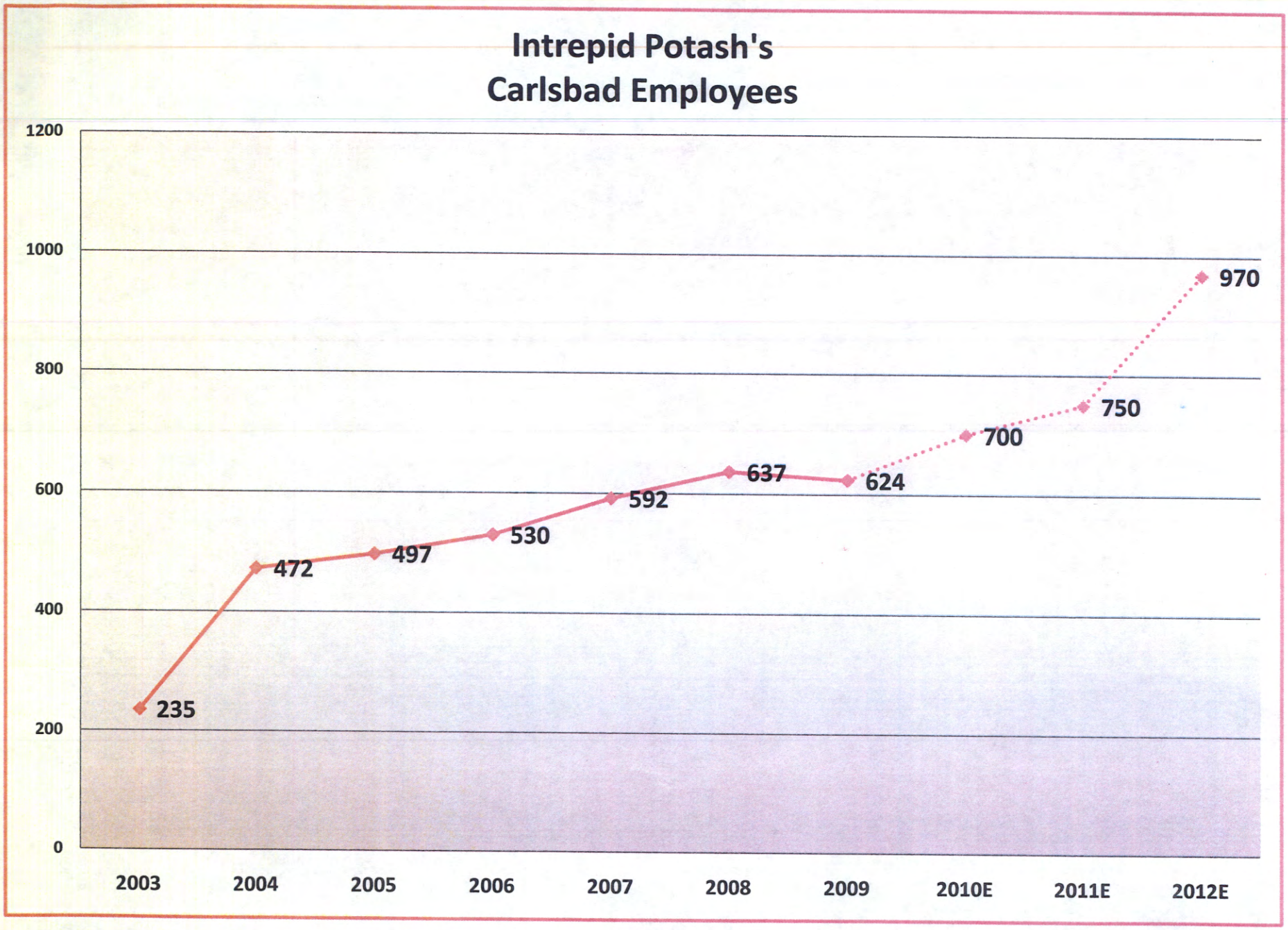
Intrepid Potash's
Carlsbad Employees
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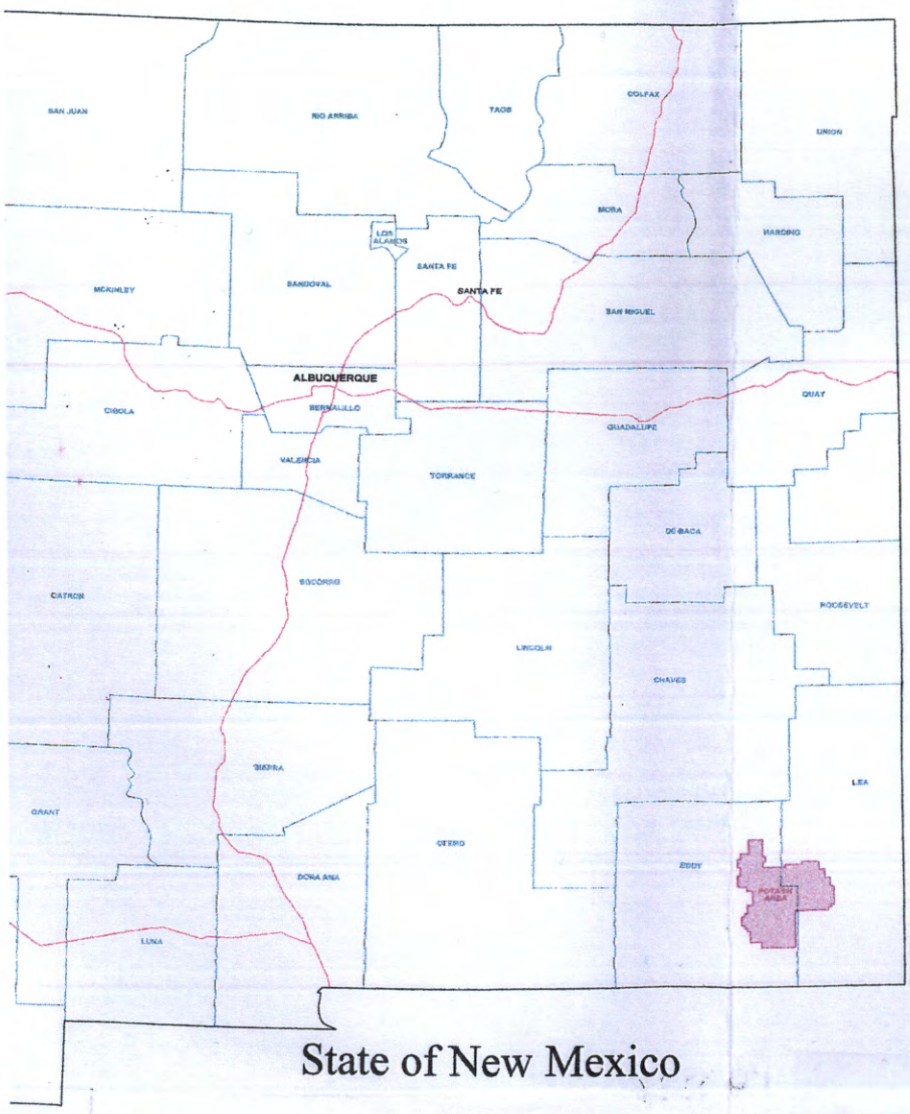
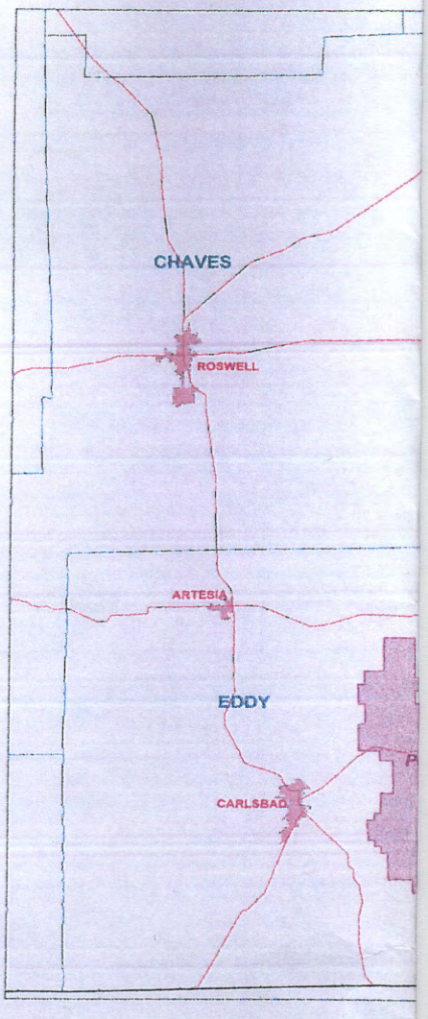
Potash Reserves i
Intrepid Pot



State of New Mexico



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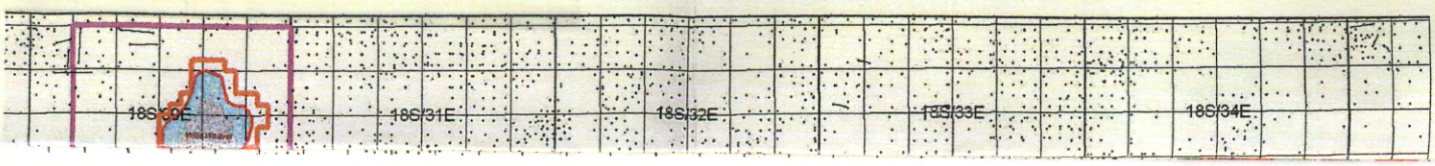
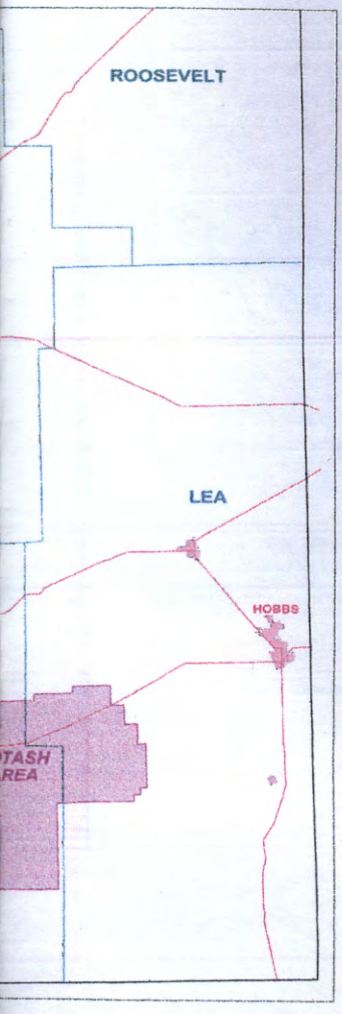
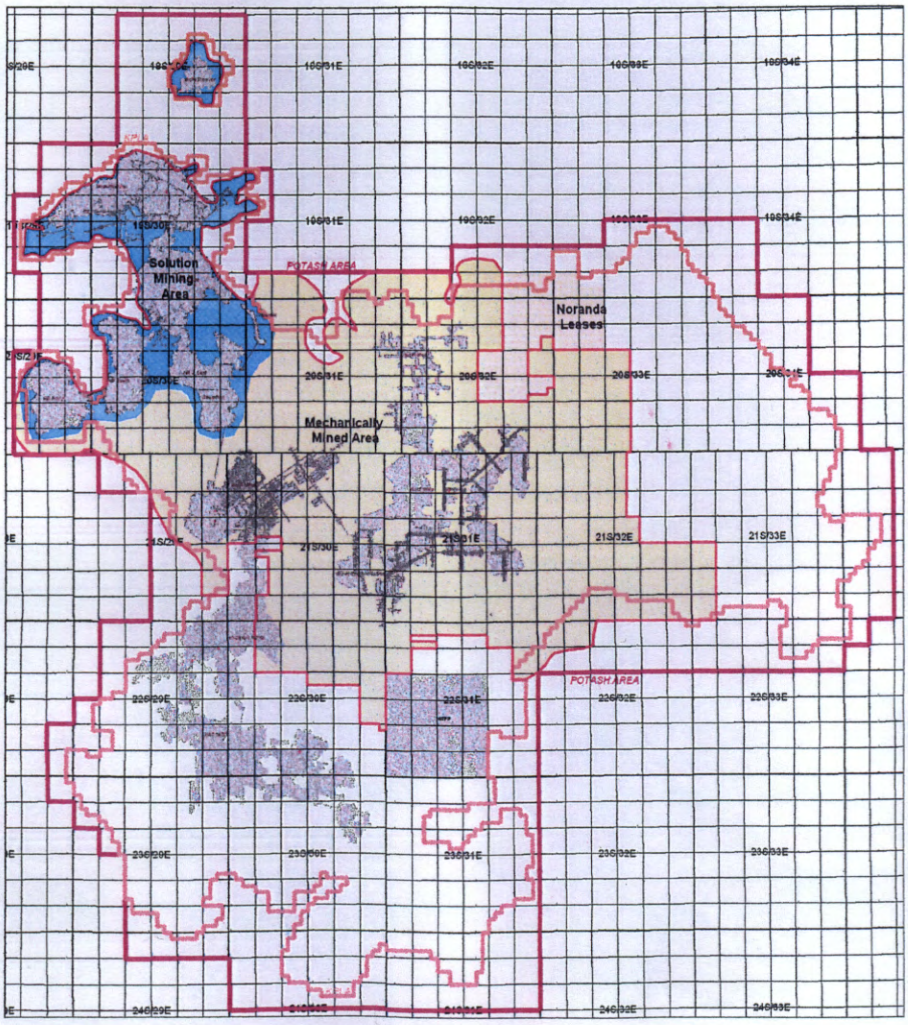


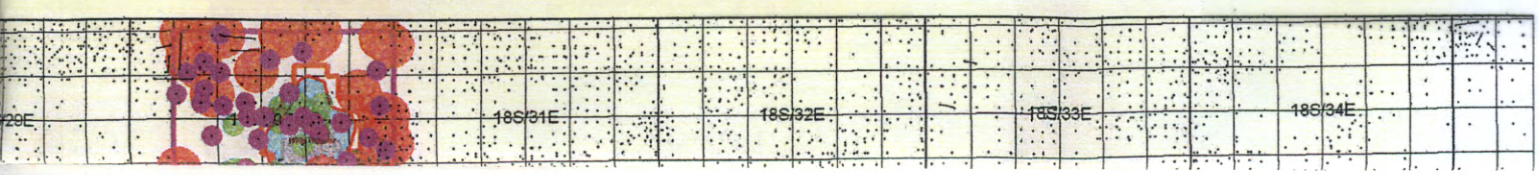
n New Mexico
ash, Inc.

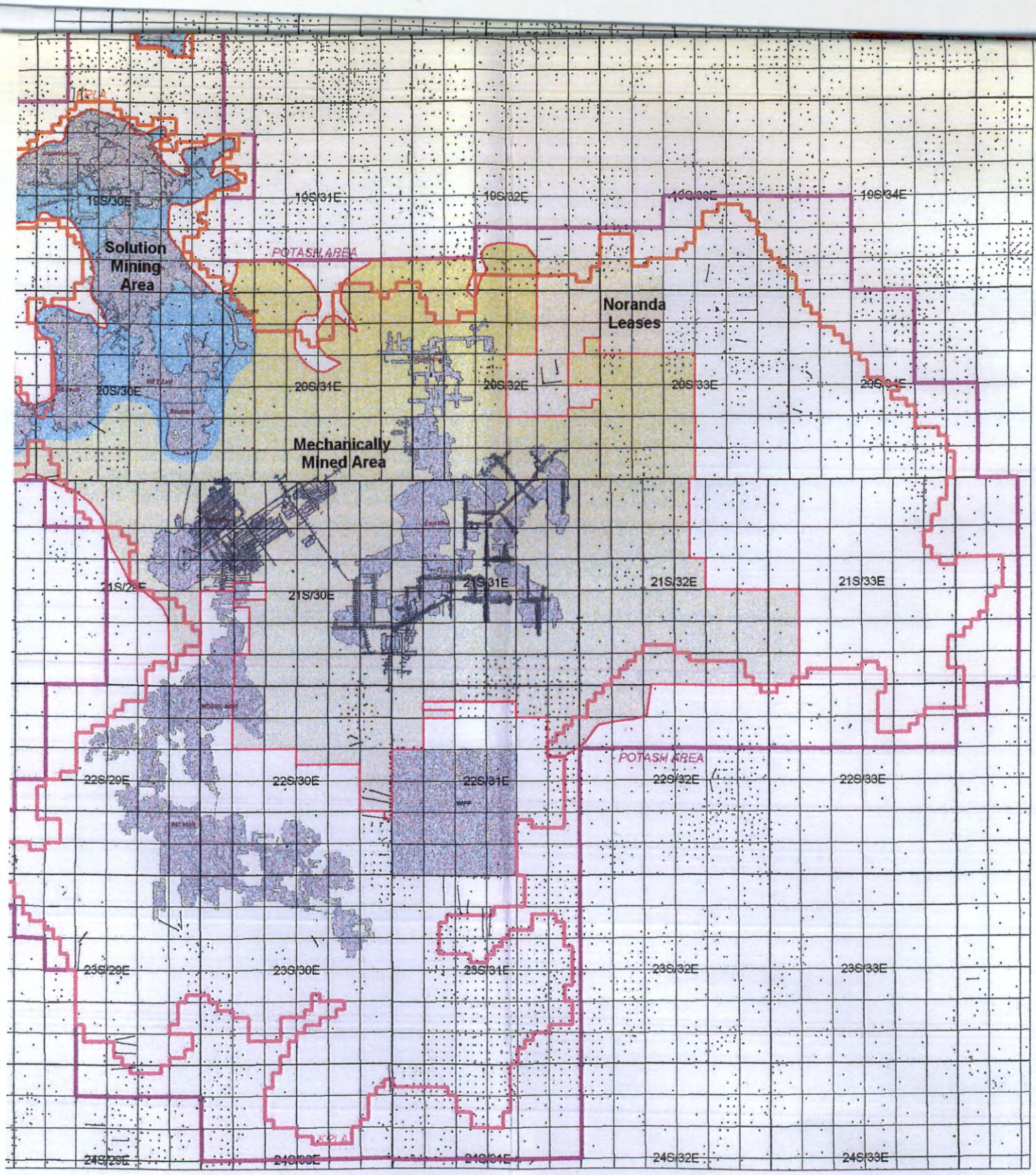


lew Mexico

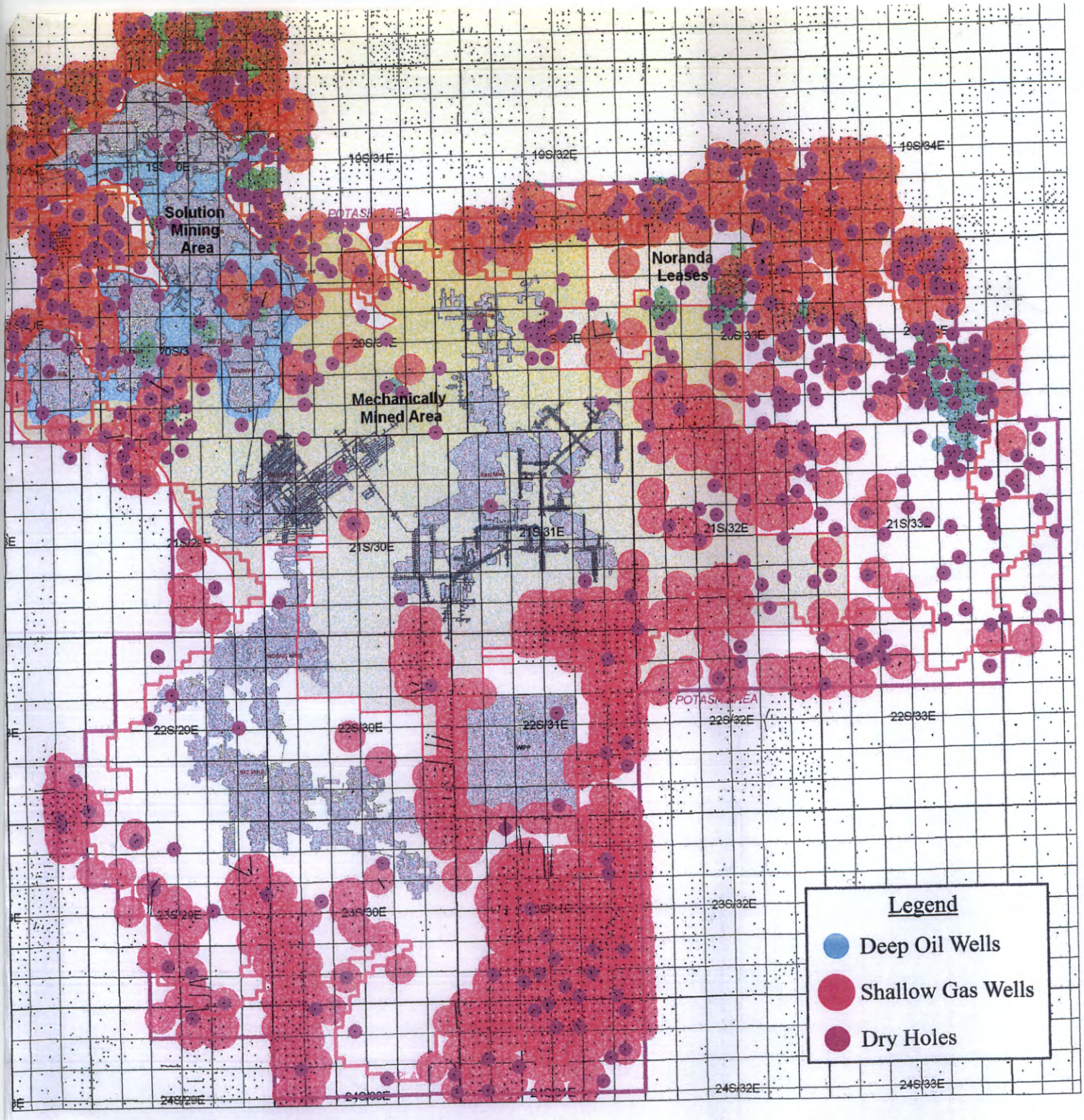


Potash Area





Intrepid Potash's Remaining Reserves



Intrepid Potash's Remaining Reserves & Existing Oil & Gas Safety Pillars

Potash Ass'n of N.M. v. U.S. Dep't of the Interior, et al., No. 08-2260 (10th Cir.)

Issues: (b) (5)
(b) (5)

Status: (b) (5)
(b) (5)

State of New Mexico

Office of the Governor

Bill Richardson
Governor

February 3, 2010

The Honorable Ken Salazar
Secretary of the Interior
United States Department of the Interior
1849 C Street NW
Washington, DC 20240-0002

Dear Secretary Salazar:

I am writing to thank you for your responsible stewardship of our public lands, and to request that the Department of Interior protect a unique resource that is as important to my state as it is to the rest of the country.

The 500,000-acre Known Potash Leasing Area (the Potash Area) in Southeast New Mexico is a major potash reserve in the United States, and contains the only known commercial langbeinite deposit in the world. As a bi-partisan group of Agriculture Committee Senators recently communicated, at a time when our nation's farmers must import nearly all the potash they use to grow crops, we should manage the Potash Area so we protect it from waste and so its resources are maximized. Consistent with that goal, Senator Jeff Bingaman has introduced legislation aimed at ending the current waste of potash in the Potash Area. Through improved and balanced management of the Potash Area – whereby the development of potash and oil and gas reserves are properly sequenced – we can maximize the production of all of these finite resources, increase the related royalties paid to the government, and create needed jobs that will boost New Mexico's economy.

In recent years, the Potash Area has been managed in a way that allowed oil and gas wells to be drilled in and near potash reserves before the potash is mined. As Sandia National Laboratories recently confirmed, because well bores can cause gas to migrate into potash mines, a wide safety buffer for the protection of potash miners must be left between the oil and gas wells and the potash mines, resulting in permanent wastes of otherwise mineable potash. However, since oil and gas reserves are found below potash deposits, they can be fully recovered after the potash is mined. By managing the Potash Area with this type of sequenced development as the BLM requires in Wyoming's trona (soda ash) fields, we can ensure that the production of these finite resources which are all so important to our local and national economies can be maximized to the greatest possible extent.

Sequencing development in the Potash Area so that potash mining and oil and gas drilling can both be conducted effectively would help the economy in other ways too. With proper sequencing of development of the resources, potash producers are poised to invest hundreds of millions of additional dollars and create hundreds of new high-paying jobs in order to fully develop Southeast New Mexico's potash reserves. Increased potash development would significantly benefit our nation's agricultural producers, and would also result in increased royalty payments to the state and federal governments.

Your leadership can ensure a balanced management strategy in the Potash Area that maximizes the development of our precious resources through sequenced development for the benefit of the state and the country. Thank you for your consideration.

Sincerely,

Bill Richardson

Bill Richardson
Governor of New Mexico

BR/fl

VE SECRETARY
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BRIEFING PAPER

FROM: The Bureau of Land Management
SUBJECT: Oil and Gas, and Potash Conflicts in New Mexico
DATE: January 6, 2010

I. SUMMARY

(b) (5)

Figures 2 and 3 show areas leased for potash and oil and gas respectively within the SPA.

NATIONAL SYSTEM OF PUBLIC LANDS

II. CURRENT ISSUES

(b) (5)

(b) (5)

III. BACKGROUND

(b) (5)

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CONTACT: Linda Rundell, State Director, BLM New Mexico, (505) 438-7501 and Tony Herrell, Deputy State Director – Minerals, (505) 954-2134

NATIONAL SYSTEM OF PUBLIC LANDS

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NATIONAL SYSTEM OF PUBLIC LANDS

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United States Senate

WASHINGTON, DC 20510

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RECEIVED
2009 DEC 18 P 4:57
OFFICE OF THE
EXECUTIVE SECRETARIAT

December 8, 2009

The Honorable Ken Salazar
Secretary
US Department of the Interior
Washington, DC 20240

Dear Mr. Secretary:

We write to express our growing concern over an issue of great consequence to the production of food and other agriculture products, namely threats to the continued production of U.S. potash reserves. As you may be aware, potash is one of eight essential nutrients required to sustain human and plant life, and is a primary component of the agriculture fertilizer necessary to grow crops. And, with only three known significant potash deposits in the U.S., and only 25 commercial deposits in the world, the Department of the Interior must ensure that this strategic national resource is protected.

The largest known potash reserve in the United States is found on federal land in New Mexico. This depletion of the useable reserve will have a lasting and significant impact on the food prices and food safety. We are already 85-percent dependent on foreign, imported potash. We can ill-afford to become 100-percent dependent on foreign potash sources for our food supply.

We encourage the Department of the Interior to prioritize the protection of potash and to protect the known potash reserves. We look forward to your response.

Sincerely,

Michael F. Bennet
U.S. Senator

Saxby Chambliss
U.S. Senator

Blanche Lincoln
U.S. Senator

Thad Cochran
U.S. Senator

PRINTED ON RECYCLED PAPER

Intrepid Potash – New Mexico, LLC v. U.S. Dep't of the Interior, No. CV-002218 (D. D.C.) [judicial review of *Intrepid Potash – New Mexico, LLC*, 176 IBLA 110 (Sept. 2008)]

Issues: Intrepid Potash complains that it has been damaged by the approval of 11 Applications for Permit to Drill (APDs) oil and gas wells by Yates Petroleum on Yates' lease, NM-94095, section 17, in Lea County, New Mexico. Intrepid asserts interference with its mine operations and unacceptable damage to valuable potash deposits despite the fact that it does not have a potash lease on section 17, has never nominated the tract for leasing, and the 11 APDs are over a mile from current or proposed mine workings. Intrepid asserts that BLM was required to consider its gamma ray log data and interpretation model to find potash enclaves in section 17, as defined in the 1986 Secretarial Order (1986 Order) regulating concurrent development in the Secretary's Potash Area (SPA). The IBLA determined that Intrepid had not shown that BLM erred in approving these APDs under the 1986 Order, that Intrepid had not met its burden to demonstrate with objective evidence that BLM erred under FLPMA or in the NEPA process. IBLA affirmed that the 1986 Secretarial Order mandates concurrent development in this area, but BLM is not charged with preserving and protecting potash as asserted by Intrepid.

In its appeal to the Federal district court, Intrepid seeks a declaration that the IBLA decision violates the 1986 Order, NEPA, and FLPMA; thus the IBLA decision should be remanded to the IBLA with instructions to vacate and hold unlawful the BLM's EA, Decision Records, FONSIs, and APD approval. Intrepid also seeks an injunction to prevent drilling of any wells in the Caper area.

Status: Intrepid filed its complaint on December 22, 2008. Yates Petroleum filed a motion to intervene in the case and a motion to transfer venue to New Mexico. The U.S. took no position on the transfer motion. Intrepid is taking no position on the motion to intervene but resisted the motion to transfer the case. The United States filed a Motion to Dismiss on the grounds of Article III standing and ripeness on April 20, 2009. Intrepid and Yates filed their responses to the U.S. motion to dismiss June 15, 2009. The U.S. filed a reply to the opposition to the motion to dismiss on July 25, 2009. Briefing on summary judgment motions is stayed pending resolution of the Motion to Dismiss. On November 19, 2009, the D.C. District Court granted Yates' motion to transfer venue to the District of New Mexico. We expect the D.N.M. to order the parties to participate in mediation.

Pascille -
205-1741

Intrepid Potash, Inc.
707 17th Street, Suite 4200
Denver, CO 80202
303.296.3006
303.298.7502 fax

Via Overnight Delivery and Email

October 16, 2009

Robert V. Abbey
Director
Bureau of Land Management
1849 C Street NW, Rm. 5665
Washington DC 20240

Re: BLM Instruction Memorandum No. NM-2007-011

Dear Director Abbey:

I am the Chairman of the Board and Chief Executive Officer of Intrepid Potash, Inc. ("Intrepid"), the largest producer of potash in the United States. First of all, congratulations on your appointment to serve as the Director of the BLM. As you may or may not know, Intrepid is one of two potash producers with mines in New Mexico's Known Potash Leasing Area ("Potash Area"). Intrepid has already invested hundreds of millions of dollars in its New Mexico facilities and is proposing to invest another $200 million over the next few years. The Potash Area contains our nation's most valuable potash reserves and is the only designated area for potash development in the country. Because of the importance of potash to our nation's agriculture industry as a key fertilizer component, the Potash Area is the subject of a Secretarial Order administering resource development. See 1986 Secretarial Order: Oil, Gas and Potash Leasing and Development Within the Designated Potash Area of Eddy and Lea Counties, New Mexico, 51 Fed. Reg. 39,425 (Oct. 28, 1986), corrected 52 Fed. Reg. 32,171 (Aug. 26, 1987) ("1986 Order").

1. Safety Risks and Potash Waste from Oil and Gas Drilling in the Potash Area

The genesis of the 1986 Order, and its predecessor Orders, is a long-running dispute between the potash industry and the oil and gas industry over resource development in the Potash Area. The reason for the conflict between the two industries is fairly simple. Because of the material risk of gas migration from an oil and gas well bore into an underground potash mine (and the resulting risk of explosion), potash producers must leave a safety buffer of unmined material around an oil and gas well. Sandia National Laboratories, at the direction of the BLM New Mexico State Office, recently completed its study of these risks and concluded: (1) there is a legitimate and material risk of gas migration from an oil and gas well into a nearby underground potash mine; and (2) to reduce the chance of potentially lethal gas migration, unmined safety buffers of as much as ¾ mile in radius should be left around an oil and gas well. See Attachment A.

The consequence to the federal government from leaving this unmined safety pillar around an oil and gas well is enormous. In a typical location in the Potash Area, the resulting safety pillar

would leave unmined approximately 1 million tons of potash. When the potash is left unmined, the federal government obviously does not receive the royalty on the potash and our nation's famers are deprived of this essential component of plant fertilizer. We calculate the lost royalty to the federal government to be approximately $13 million per oil and gas well based on today's potash prices. Also sacrificed for a single oil and gas well are the substantial number of jobs required to mine and process these 1 million tons of potash. The map submitted herewith as Attachment B shows the more than approximately 3,000 oil and gas wells that have already been drilled in the Potash Area (each red circle is an oil and gas well and related safety pillar). As you can see, our nation's potash resources have been substantially compromised already and new APDs are being filed each week.

Yet, there is a simple, win-win solution to this issue that allows the federal government to receive the royalty stream from both resources and brings both of these resources to market. The potash resource is found at depths of 1,000 – 2,000 feet below the surface. The oil and gas reserves are found at substantially deeper depths of 6,000 feet or more below the surface. Consequently, the potash can mined without impacting the oil and gas reserves. Once the potash is fully mined, the untouched oil and gas reserves can be recovered. Sequencing resource development in this manner eliminates the potential safety risk of migrating gas and allows both resources to be fully developed.

The 1986 Order attempts to provide guidelines for the BLM to administer resource development in the Potash Area so as to keep underground potash miners safe and maximize the recovery of both resources. Its application has, unfortunately, been uneven and, to our mind, inconsistent with both the intent of the Order and its plain language. The 1986 Order needs to be revised and updated to achieve its purpose. I do not write to you today, however, to address issues with the 1986 Order. There is a more pressing and immediate reason for my letter.

2. The Interim Processing Guidelines Instruction Memorandum

In December 2006, the New Mexico State Office of the BLM issued Instruction Memorandum No. NM-2007-011, the subject of which is "Interim Processing Guidelines, Oil and Gas Applications for Permit to Drill (APDs) within the 'Secretary's Designated Potash Area,' (Potash Area), Carlsbad Field Office," (the "Instruction Memorandum"). See Attachment C. The Instruction Memorandum states that it "provides guidance concerning the processing of APDs in the Potash Area, prior to completion of the 'potash enclave standards' review, which was ordered by the Interior Board of Land Appeals in IBLA 2003-334, et al. (IMC Kalium Carlsbad, Inc., et al.)." We understand that the Instruction Memorandum was re-issued on March 13, 2009.

The reference to IMC Kalium Carlsbad, Inc., et al. is to an IBLA proceeding that involved denial by the BLM of certain APDs filed by oil and gas producers in the Potash Area (the "IBLA Decision"). The matter involved the appeal from an ALJ decision issued on July 7, 2003, after a lengthy hearing. *In the Matter of Yates Petroleum Corp., et al.* IBLA 92-612 (the "ALJ Order"). In its decision, the IBLA ordered the BLM to update its standards for identifying commercial potash reserves (also known as "measured ore") and its resource map predicated thereon. The Instruction Memorandum provides guidance on how to process APDs while the potash enclave

standard is being evaluated. Unfortunately, it has several significant flaws and erroneous assumptions.

a. Threshold Concerns with the Instruction Memorandum

On a threshold level, the greatest concern with the Instruction Memorandum is that it is written from the perspective of allowing as much oil and gas drilling as possible in the Potash Area. This 500,000 acre area is the *Potash* Area, not the Oil and Gas Area for a reason. It is the only substantial potash reserve in the entire United States. American farmers import 85% of the potash they use from foreign nations. Protecting an American-based supply of this essential fertilizer component is critical for food independence. Consequently, the Instruction Memorandum, if faithful to the 1986 Order, should have been drafted in terms of how to best protect potash from waste through oil and gas drilling "prior to the completion of the 'potash enclave standards' review." Instead, the orientation of the memorandum is backwards – its intent is to maximize oil and gas development in the Potash Area. We respectfully submit that this Instruction Memorandum is the product of the last administration's priorities and should be reexamined.

b. The Instruction Memorandum Wrongly Equates Lack of Potash Data with No Potash

Even if the Instruction Memorandum remains in place, we believe that it should be revised to at least not accelerate the waste of our nation's only potash reserve. Our greatest concern is that the Instruction Memorandum, in the first Action bullet titled "Areas Lacking Potash Data" and in the third Action bullet titled "Areas with Low Density of Core Holes," states that if the BLM does not have any or at least sufficient core hole data to conclude that an area has commercially mineable potash reserves, it will allow oil and gas drilling in the area. Consequently, it appears that BLM assumes that if there is insufficient data to show commercially mineable potash reserves, there must be no potash there (or why else allow drilling and expose miners to safety risks and waste the potash). This is assumption, however, is contradicted by the BLM's classification of such areas as "Indicated Potash Reserves" or "Inferred Potash Reserves." If the potash reserves are at least "indicated" or "inferred" in these areas then why allow drilling? It would seem that the more responsible approach would be to not allow drilling until BLM definitively determines that the areas do not contain commercial potash reserves. This would avoid exposing underground miners to safety risks and would avoid waste of the potash based solely on a lack of data. Given the value of the potash, and the royalty thereon, these potash reserves have an "indicated" or "inferred" value of hundreds of millions of dollars.

Part of the problem here is the BLM's historic methodology for determining the location of commercial potash reserves. Presently, the BLM relies on a narrow and antiquated methodology for mapping potash reserves known as the Van Sickle standard for the USGS geologist, Donald M. Van Sickle, who created the standard 35 years ago in 1974. Under the data sufficiency element of this standard, there must be at least three data points no more than 1.5 miles apart that each meet the potash grade and thickness standards to classify the region defined by these data points as measured ore subject to heightened protection from drilling by the BLM. BLM has concluded that only core samples and mine face data may be used for the needed three data

points. BLM refuses to consider the wealth of other data available such as the geophysical log data – now commonplace in the oil and gas industry.

Putting aside our concerns over BLM's use of the Van Sickle standard as the sole method for determining commercial potash reserves, we know with certainly that BLM's assumption that "Areas Lacking Potash Data" or "Areas with a Low Density of Core Holes" are suitable for oil and gas drilling (*i.e.*, must not have commercial potash reserves that would be wasted by such drilling) is incorrect.

c. Intrepid has Already Demonstrated that BLM's Potash Resource Map is Incorrect and Allows Oil and Gas Drilling in Locations that Expose Miners to Safety Risk and Waste Potash

One of Intrepid's critical areas of focus in the Potash Area is the area east of its East Mine. This area encompasses some 12,000 acres of land stretching several miles from Intrepid's current mining operations at the East Mine eastward to the boundary of Intrepid's Life of Mine Reserves. The area is depicted generally on the map enclosed with this letter as Attachment D. For purposes of this letter, we will refer to this area as the "East Potash Area."

In 2005, Intrepid began analyzing the geophysical log and core hole data in the East Potash Area to develop a new potash mining area accessible from its East Mine. On June 9, 2006, we provided to BLM a potash ore reserve analysis of areas in the East Potash Area based on geophysical log and core hole data. The analysis included the raw data, ore maps, technical work, independent professional reports and supporting research papers. The data and analysis established the presence of large and valuable potash deposits in multiple ore zones exceeding BLM's minimum thickness and grade criteria for potash enclave. Specifically, the data confirmed that this area contained a world-class langbeinite deposit in the 3rd ore zone that extends westward toward and beneath the East Mine. Langbeinite is an extremely rare form of potash which is commercially mined no place in the world except in the Potash Area.

In May 2006, Intrepid learned of applications for permits to drill ("APDs") 11 wells in Section 17 of T. 21 S., R. 32 E., Lea County, New Mexico ("Section 17"). Intrepid objected that, based on its analysis of the available geophysical log data, core hole data, and mine face data, the area had substantial potash and langbeinite reserves and allowing such drilling would waste the potash, deprive the federal government of the royalties which would have been collected, as well as eliminate jobs and indirect economic benefits from developing those resources. That same year, Intrepid also offered to pay the cost for BLM to drill a core hole in Section 17 to conclusively establish the presence of commercial potash reserves to the BLM's satisfaction.

The BLM's New Mexico State Office refused to consider Intrepid's objections because BLM did not show commercially mineable potash in this area on its maps based on application of the Van Sickle standard.

Upon learning in 2006 that the BLM had approved the APDs in Section 17 and would not reevaluate its position on whether Section 17 had measured ore and was, thus, not an appropriate location to approve APDs, Intrepid wrote to BLM urging it to stay the effectiveness of its approval. Intrepid also renewed its offer to pay the cost for BLM to drill a core hole in the area

to obtain the core sample data needed by BLM to make an evaluation according to the Van Sickle standard.

Recognizing that (1) Section 17 and the surrounding area contained world-class potash reserves; and (2) BLM would neither recognize the geophysical log data showing this nor obtain core sample data to confirm this, Intrepid took it upon itself to conduct its own core drilling program in the area at a cost of more than $1 million.

On September 12, 2006, Intrepid applied for an exploration license to drill a core hole in Section 17. Intrepid sought to drill this core hole to confirm what was already evident from our prior geophysical log analyses and to persuade BLM to protect the potash enclaves that exist there from drilling.

On April 11, 2008, BLM issued an exploration license to Intrepid authorizing core drilling in Section 17. Intrepid immediately drilled the IP-013 core hole in Section 17, and we provided the results to BLM in June of 2008. The IP-013 data confirmed the existence of the same world class langbeinite deposit in the 3rd ore zone that was identified by our prior analyses of the geophysical log data from these lands.

On January 7, 2009, BLM issued a second exploration license to Intrepid authorizing its extensive core drilling program in the East Potash Area. On February 18, 2009, Intrepid provided to BLM the assays of three core holes drilled pursuant to this program as well as one other core hole drilled on an existing Intrepid lease – IP-032, IP-033, IP-034 and IP-035. Those assays show significant langbeinite in the 3rd ore zone meeting BLM's minimum thickness and grade criteria for measured ore. All but one of these core holes showed potash meeting those criteria in additional ore zones as well. In April and May of 2009, Intrepid drilled the IP-048 and IP-047 core holes in this area and the assay results of the 3rd ore zone were similar to the previously drilled core holes, i.e., a demonstration of significant mineable langbeinite reserves.

All of the core holes that Intrepid has drilled to date in the East Potash Area were logged using a complete suite of modern logging tools, and Intrepid has had each potash zone assayed with X-ray diffraction analysis. We have provided all of this data to BLM as it has become available. We have enclosed with this letter a disk with all of this same data.

Intrepid's core drilling in the East Potash Area has generated sufficient core hole data to meet the Van Sickle criteria in much of that area. Specifically, using the data from the IP-013, IP-35, IP-047, IP-048, PM-16-1 and PCA-135 core holes, large portions of Sections 17, 18, 19 and 20 can be designated as containing measured ore in the 3rd and 10th ore zones, as depicted on Attachment E to this letter.

More importantly and, frankly, most frustratingly, the core drilling results discussed above verify Intrepid's prior analyses of the relevant geophysical log data in Section 17, which data has consistently demonstrated these facts since 2006. The results show that no additional core data was necessary at the time of the 2006 BLM approval of the APDs in Section 17. Our prior analyses of the geophysical log data in Section 17 already adequately identified these deposits.

In response to the data we submitted to the BLM, we recently received a letter from the BLM in which it states that it has reviewed Intrepid's data and "at face value, using the Van Sickle

criteria, the ore found in the Third Ore Zone represents measured ore." See Attachment F. We await BLM's review of all of the data we have provided and its revision of its resource maps to show "measured ore" in the locations defined by our core drilling.[1]

d. The Instruction Memorandum Should be Revised to Allow Potash Operators to Develop Data for BLM's Review that Would Prevent Exposure of Miners to Safety Risk and Prevent the Waste of Potash

As this example shows: (1) it is wrong to assume that an area with no or insufficient core hole data is an area lacking commercial potash reserves where oil and gas drilling should be allowed; and (2) if given the right and sufficient opportunity, Intrepid will obtain additional core hole data at its own expense to demonstrate commercial potash reserves.

Consequently, we urge BLM to, at a minimum, revise the Instruction Memorandum to provide that for "Areas Lacking Potash Data" or "Areas with a Low Density of Core Holes," BLM do the following:

- Provide written notice to all potash operators in the Potash Area of BLM's receipt of any notice of staking or application(s) for permit to drill an oil and gas well in a location that BLM classifies as an "Area Lacking Potash Data" or an "Area with a Low Density of Core Holes."

- Allow the potash operator to elect within 30 days of receiving such written notice to apply for and receive a potash exploration license for some portion or all of the relevant area (or file and receive approval of an exploration plan if the proposed well is on its potash lease acreage).

- After BLM approves the exploration license or lease exploration plan, provide the potash operator with at least 120 days to drill a sufficient number of core hole(s) in the relevant area to obtain data that satisfies the operative standard (Van Sickle or other) for determining measured ore.

- If the results from the core hole(s) demonstrate that the area contains measured ore in one or more zones, the application(s) for permit to drill shall be denied.

- If no potash operator applies for an exploration license or files an exploration plan within 30 days after receiving written notice of a notice of staking or application(s) for permit to drill, the authorized officer may approve such proposed location subject to the 1986 Order.

[1] This is but one example of the threat of oil and gas drilling in locations with world-class potash reserves. We know through our evaluation of existing core hole data and geophysical log data that world-class potash deposits in the Livingston Ridge/Lost Tank, Cabin Lake, Bilbrey, Hat Mesa, Quahada Ridge, Nash Draw, Sand Dunes, Ingles Wells, Los Medanos, and Mes Verde fields in the Potash Area have been wasted through extensive oil and gas drilling.

Revising the Instruction Memorandum in this manner will enable the BLM to preserve our nation's scarce potash resources at the potash operator's expense.[2] With this information developed by the potash operator, BLM, as the owner of the resource, can make fully informed decision about its development. Obviously, Intrepid would prefer that the BLM undertake its own core drilling in the Potash Area to identify all locations of measured ore for protection from oil and gas drilling. After all, this is the federal government's resource. However, Intrepid recognizes that BLM has previously rejected these requests.

e. The Definition of "Mine Out Areas" in the Instruction Memorandum is Incomplete

The fourth bullet in the Action section of the Instruction Memorandum discusses so-called "Mined Out Areas." These areas are defined as locations where "no reasonable access exists to mine these areas by mechanical mining techniques." Intrepid's objections to this policy are twofold. First, by limiting access to mine the ore to "mechanical mining techniques," BLM has excluded solution mining techniques. The solution mining method involves injecting a salinated brine into a mine in which mechanical mining has been completed and then pumping out the potash-enriched brine for above-ground processing. With respect to potash mines with certain characteristics, this method allows for recovery of ore that cannot otherwise be recovered by mechanical mining techniques and prolongs the life of the mine. It is a common mining technique used throughout the United States and across the world. Intrepid operates a tremendously successful solution mine in Moab, Utah. Mechanical mining of Intrepid's Moab mine ceased in 1969. The mine has been solution mined since that time and there are 123 additional years of potash reserves to be recovered through this technique. Even more to the point, Intrepid is in the process of obtaining BLM approval for a solution mine in the Potash Area with respect to Intrepid's HB mine. Intrepid estimates that there are 28 years of mineable reserves remaining in the HB mine that can be recovered through solution mining.

Consequently, the limitation in the "Mined Out Areas" description to only "mechanical mining techniques" is misplaced. A "Mined Out Area" should be redefined to refer to a mine where no more potash can be recovered using *both* mechanical mining and solution mining techniques.

The "Mined Out Areas" discussion in the Instruction Memorandum also neglects to consider any inter-connections between mines. Allowing oil and gas drilling in a mine that has been mined out using both mechanical mining and solution mining techniques but that has open underground connections with an active mine would present an unacceptable safety risk. No mine that is interconnected to another mine can be considered "mined out" until both mines are "mined out" using both mechanical mining and solution mining techniques. Intrepid urges BLM to revise the Instruction Memorandum accordingly to avoid such a substantial safety risk.

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[2] Revising the Instruction Memorandum in this manner would not contravene the Energy Policy Act of 2005 which, while it does prescribe deadlines for approvals of APDs, does also provide that BLM must comply with "other applicable laws" in approving any APD. 30 U.S.C. § 226(p). The 1986 Order is an "other applicable law" that obligates BLM to protect underground miner safety and to prevent the waste of potash, objectives that could be compromised by hasty approval of an APD in certain locations within the Potash Area.

f. The Instruction Memorandum Should be Revised to Clarify that "Concurrent Operations" Does not Mean Same Time Same Place

As the ALJ in the IMC Kalium case found, the use of the term "concurrent operations" in the 1986 Order's statement of purpose does not, contrary to the arguments made by the oil and gas industry, place the oil and gas and potash industries on "equal footing regarding development of their leaseholds." ALJ Order, at 52-57. In particular, the ALJ concluded that "[t]o the extent the 1986 Order defines the relative status of the two industries, the relevant language is not found in the statement of purpose, but in the declaration of policy added in 1975 that the Department will 'deny approval of most applications for permits to drill oil and gas tests from surface locations within the potash enclaves * * * .'" ALJ Order, at 56. **Based on this conclusion, the ALJ ruled that the term "concurrent" does not mean "same time, same place," but, instead, "same time, different place."** ALJ Order, at 57. The IBLA noted that the ALJ properly "rejected claims that there is an absolute equality between potash and oil and gas activities in the Potash Area and that the first to develop a resource has preferential rights over other under the [1986] Order" and otherwise left this finding undisturbed. IBLA Decision, at 170 IBLA 30.

It would be invaluable for the BLM to clarify in the Instruction Memorandum this operating principle. In applying the 1986 Order to APDs, the New Mexico Field Office should be mindful that the 1986 Order reflects a decided preference for protection of potash over development of oil and gas reserves in the Potash Area and that it should be 'deny[ing] approval of most applications for permits to drill oil and gas tests from surface locations within the potash enclaves." This all bears repeating as the Instruction Memorandum, as presently drafted, reflects, if anything, a preference for oil and gas drilling over protection of potash in the Potash Area. Under your leadership, the BLM has this opportunity to avoid the mistakes of the past administration and place the protection of potash in the Potash Area as the agency's priority.

We most appreciate your attention to these matters. Should you need any additional information and or want to meet to discuss these matters, please let me know. I look forward to working with you and your team on these issues of mutual importance.

Very truly yours,

Robert P. Jornayvaz III
Chief Executive Officer

Enclosures
cc: Ned Farquhar, Deputy Assistant Secretary for Land and Minerals Management (w/ encl.)

Attachment 3

In Reply Refer To:
3500 (NM920)

Mr. Robert P. Jornayvaz III
Chief Executive Officer
Intrepid Potash, Inc.
707 17th Street, Suite 4200
Denver, CO 80202

Dear Mr. Jornayvaz:

(b) (5)

(b) (5)

Concurrent development

(b) (5)

(b) (5)

Correlative Rights as Outlined in the 1986 Secretary's Potash Order

(b) (5)

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Concurrent Development and Drill Islands

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Safety and the Sandia Studies

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(b) (5)

Core Hole Information and Assay Data to Update Enclave Boundary

(b) (5)

(b) (5)

If you have further questions, please contact Mr. Tony Herrell, BLM New Mexico Deputy State Director, at 505-954-2134.

Sincerely,

Robert V. Abbey

Director

Enclosures

bc: LLM:WO620:LS:401
LLM:NM912
LLM:NM920:THerrell

LLM:NM920:THerrell:WO620:LS:401:OSierra:12/10/09:090362:3500

What is Potash? Potash is potassium chloride and is used primarily as a crop nutrient in agricultural fertilizer. It is mined using either conventional underground mining techniques or through solution mining.

Where is it Located? Most of the U.S. domestically mined potash is located on approximately 500,000 acres of federal, state and fee land in Carlsbad, New Mexico known as the KPLA. The land was set aside in 1939 by Presidential decree to protect the potash resource and 90% of it is owned by the federal government and managed by the BLM. The KPLA produces between 77-85 percent of U.S. domestic production of potash. Some additional mining occurs in Utah, California and Michigan. Domestic production supplies approximately 12% of U.S. demand.

Who Mines the NM Potash Area? Intrepid Potash, Inc., the leading U.S. producer of potash, operates in Carlsbad, NM and Utah. Intrepid purchased the New Mexico operations out of bankruptcy in March, 2004. Over the past four years, Intrepid has invested over $75 million in capital expenditures on a new state of the art processing facility, high productivity mining equipment, and communication systems. Intrepid now employs approximately 630 full-time workers at its New Mexico mines (an increase of over 200 jobs since 2004) and the average annual salary with benefits for employees is approximately $84,000.

What is the Issue? Potash cannot be co-developed with oil and gas exploration. Potash can be mined first after which oil and gas drilling can occur, but the opposite is not possible. If oil and gas drilling occurs first, the potash around the well bore cannot be mined because of the risk of gas leaks from the well bore exposing underground miners to the risk of an explosion. New oil and gas wells effectively prevent the mining of hundreds of millions of dollars of potash surrounding the well bore. Currently, the "safety pillars" of around oil and gas wells range from ¼ to ½ mile in radius.

In a similar situation with respect to trona, a bedded salt evaporate that is mined primarily in Wyoming, the BLM in 2000 determined that a complete ban on oil and gas drilling was the only prudent course of action to protect miner safety.

However, with respect to potash mining, the BLM took a different position and has permitted the drilling of more than 3,000 oil and gas wells in the KPLA, including 11 new wells in area with world-class potash reserves. These wells will effectively prevent the mining of hundreds of thousands of tons of Potash. Intrepid challenged the drilling approval on grounds that the BLM should consider all relevant and current potash data to more fully understand the potash resource at risk. BLM uses a more than 30-year old potash mapping criteria that excludes the use of the most current scientific tools, like geophysical log data, to identify the potash resource. The IBLA ruled in favor of the BLM and, as a consequence, the decision turned the Interior Department's policy of potash preservation on its head in favor of immediate drilling, regardless of the valuable potash wasted and even though the oil and gas can be fully recovered at a later time.

The Economics:

- Potash demand has been growing;
- The potash industry is capacity constrained
- Potash is an essential component of any bio-fuels program
- Potash is an essential component of a strategic domestic food production program
- Potash supply/demand fundamentals are tighter than those of oil
- The federal government receives royalty revenues from the sale of potash. Loss of these government revenues is particularly harmful given the current state of the economy.
- The royalties on the potash lost when an oil or gas well is drilled in the KPLA dwarf the typical royalties received by the government on a typical well.

INTREPID POTASH.

United States Department of the Interior

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TAKE PRIDE IN AMERICA

In Reply Refer To:
3160 (92200) I
3530

EMS Transmission- 12/19/2006
Instruction Memorandum No. NM-2007- 011
Expires: 09/30/2008

To: Pecos District Manager, Carlsbad Field Manager

From: State Director

Subject: Interim Processing Guidelines, Oil and Gas Applications for Permit to Drill (APDs) within the "Secretary's Designated Potash Area," (Potash Area), Carlsbad Field Office

Program Area: Onshore Oil and Gas Operations, 43 CFR 3160

Purpose: This directive provides guidance concerning the processing of APDs in the Potash Area, prior to the completion of the "potash enclave standards" review, which was ordered by the Interior Board of Land Appeals in IBLA 2003-334, et al. (IMC Kalium Carlsbad, Inc., et al.)

Action: The Potash Area contains significant portions where the potash enclave boundary will not change no matter what revisions may result from the re-evaluation of the potash enclave standards. APDs which have been or will be submitted in these areas may be processed prior to the completion of the enclave standards review. These areas are:

- Areas Lacking Potash Data - The current enclave was projected ½ mile beyond the last data point which meets or exceeds the current potash thickness and quality standards. In the areas beyond this ½ mile zone, lowering or not changing the enclave standards would have no effect on the enclave boundary, and raising the standards would contract the enclave boundary. Therefore, you may process APDs in areas beyond the ½ mile zone, where no data points exist, in accordance with the current procedures.

- Area between the Known Potash Leasing Area and the Secretary's Designated Potash Area – The majority of this area is classified as barren of potash due to the lack of data points, or data points which are either barren of potash or which indicate sub-economic potash. You may process APDs in this area as long as they are in an area which will not change whether the potash standards are raised or lowered.

  When you receive an APD located within this area, you must first review available core

hole data to confirm whether or not the core encountered only barren zones, or sub economic potash. If no core data exists or no potash was encountered in a core, you may process the APD. If sub economic potash was encountered, you must defer the APD until after the enclave standards review is completed.

- Areas with a Low Density of Core Holes – The areas currently classified as "Indicated Potash Reserves," or "Inferred Potash Resources" are delineated as such due to the low density of data points. Changing the potash standard will not alter the Indicated or Inferred designations, since not enough data exists to define enclave, no matter what revisions may be made to the potash standard. Therefore, you may process APDs in Indicated and Inferred areas where the enclave boundary was not determined using one data point in "Measured Potash Reserves" and one data point located in either Indicated or Inferred areas.

- Mined Out Areas – Areas exist where the potash enclave has been mined right up to the limits of ore. Even though the 1993 enclave map shows small quantities of enclave beyond the mine workings, no reasonable access exists to mine these areas by mechanical mining techniques. Therefore, you may process APDs in these areas as though no enclave exists, while considering potential safety hazards due to subsidence resulting from past mining operations.

- Barren Areas Defined by Core Holes – There are limited barren areas defined by core holes which are completely barren of potash mineralization in all relevant ore zones. These areas may be on the exterior of the enclave or they may be completely surrounded by enclave. The enclave boundary with these barren areas may shift if the potash standards are revised, but it can never extend beyond the barren core holes. Therefore, you may process APDs in areas which will remain barren regardless of a change in the potash standards.

- Areas in Residuum - Areas exist on the western side of the Potash Area where salt dissolution has occurred completely through all of the potash ore zones, leaving insoluble residuum in place. The enclave boundary between these "residuum core holes" and ore-quality core holes may shift if the potash standards change, but it can never extend beyond the residuum core holes. Therefore, you may process APDs in the areas which are non-mineralized due to dissolution of the salts through the ore zones, which will not change regardless of a change in the potash standards.

- Drilling Islands - The 1986 Secretarial Potash Order allows for the establishment of drilling islands in certain areas within the potash enclave to allow oil and gas drilling while minimizing impacts to measured potash reserves. The decision to establish a drill island "wastes" a minimum amount of potash ore to allow oil and gas drilling, and this decision would not change, whether the potash standards are raised or lowered. Thus, appropriately sited drill islands can continue to be established within the potash enclave, and you may continue to process APDs in existing drill islands, during the period the potash standards are being re-evaluated.

- Infield Drilling in Barren Areas - There are several areas where oil and gas wells have been drilled in barren areas on approximately 40 acre spacing, immediately adjacent to the potash enclave. No matter if the potash standards are raised or lowered, these areas will remain impacted by the existing wells. Drilling more wells within these fields will not create further impacts to potash resources. Therefore, you may process APDs which constitute infield drilling in these barren areas.

- Interior High-Grade Areas - Interior portions of the enclave, where ore is present with a quality well above the present standards, should not change with a reasonably foreseeable revision to the cut-off standards.

IBLA stated that, although ore being mined today is inherently, "mineable under existing technology and economics," it does not necessarily follow that recent mining also establishes economic cut-off grades or identifies the outer limits of a potash enclave. This is true because the average ore grade is a mixture of higher and lower grade ores, and indicates that the true economic cut-off grade must be lower than that of ore being mined today. Thus, the economic cut-off grade should not be higher than the average ore grade currently being mined. Therefore, any enclave established by an ore grade above the current mined average should remain enclave, and you must process APDs in these areas for denial.

Areas Which Could Be Affected By A Change In The Cut-Off Criteria

Certain portions of the Secretary's Potash Area could be affected by a change in the cut-off standard. In these areas, APD processing will be deferred until after establishment of new potash standards.

- Areas with Core Holes Currently Containing Marginal or Sub-economic Ore - There are portions of the Secretary's Potash Area within the enclave or close to the enclave boundary where core holes contain mineralization just above or just below the current cut-off standard, that meet the other measured ore reserve criteria of thickness and core-hole spacing. In these areas a change in the standard would have an effect on the location of the enclave boundary. Processing APDs submitted near these areas will be deferred until after the cut-off standard is determined.

- Areas Between Core Holes Containing Economic Ore and Barren Core Holes - Areas classified as barren which contain one or more core holes which are barren of mineralization and are located within a reasonable distance of other core holes where geologic inference is acceptable, will most likely have a change in the enclave boundary. Processing APDs submitted in areas where the enclave could change if the cut-off standard is raised or lowered will be deferred until the cut-off standard is re-evaluated.

Conclusion

You may process APDs, either for approval or denial, in areas which conclusively will not be affected by raising or lowering the economic cut-off standard for potash. For those areas that might change, processing APDs will be deferred until after the cut-off standard is re-evaluated. In either instance, you should make specific case-by-case, fact based determinations to process or defer a particular APD. Final decisions will be made for any APD processed according to the requirements of the Secretary's 1986 Order and the guidance of the IBLA decision.

Timeframe: This interim guidance shall be followed until the review of the potash enclave standard is completed.

Background: Please refer to the attached issue paper.

Contact: Vincent Vogt, Solid Minerals Team Leader, at (505) 438-7455 or Jay Spielman, Geologist, at (505) 438-7503.

Signed by:

Linda S.C. Rundell

1 Attachment:

1 – Interim Operating Guidelines for Processing APDs in the Potash Area Prior to the Economic Evaluation for Potash Cut-Off Grades (8 pp)

Interim Operating Guidelines
For
Processing APDs in the Potash Area
Prior to the Economic Evaluation for Potash Cut-Off Grades

Overview

Various oil and gas operators appealed the BLM's decisions to deny their Applications for Permit to Drill (APDs) during the period between 1992 and 1995. These APDs were denied because they would result in undue waste of potash deposits or constitute a hazard to or unduly interfere with mining operations being conducted for the extraction of potash deposits. Several of these appeals were consolidated under one case (IBLA 92-612). The case was scheduled for hearing by the Office of Hearings and Appeals. Administrative Law Judge (ALJ) Patricia McDonald heard the case between August 15, 1996 and March 27, 1997. The record addressed was massive and complex. The submission of over 1200 exhibits, 68,000 pages of documents and the testimony of 37 witnesses resulted in a transcript of 15,275 pages. The review of the voluminous record took a great deal of time to review and decide. ALJ McDonald issued her decision July 7, 2003. Judge McDonalds decision was appealed by the three interested parties in 2003 as cases IBLA 2003-334, 335, 336 & 341.

The Interior Board of Land Appeals (IBLA) issued a decision in IBLA 2003-334, 335 336, & 341 on September 7, 2006 regarding the appeals of 72 denied APDs. In this decision IBLA stated; "the identification of potash enclaves is central to BLM's proper administration of the Potash Area under the Secretarial Order". IBLA found "that BLM failed to consider existing technology and economics based upon the best data currently available in periodically identifying and revising potash enclaves under and as required by the Secretarial Order". IBLA remanded most of the 72 denied APDs because the record failed to establish that they were located in properly identified potash enclaves.

The potash cut-off standard established by Van Sickle in 1974 was inherent in the establishment of the potash enclave. That standard defined the economic cut-offs for conventionally mined potash ores as: 4 feet at 10% K_2O Sylvite, 4 feet at 4% K_2O Langbeinite, or a mixed ore equivalent of sylvite and langbeinite. Since that standard had not been revisited since 1974, IBLA found BLM had not considered existing technology and economics in establishing the potash enclave. Thus, IBLA remanded the APDs for further consideration of the potash enclave prior to BLM making new decisions.

Mineral Lands Classification Board Determination of Cut-off

In 2005 BLM convened a Mineral Lands Classification Board to determine if the potash enclave cut-off grade should be changed as directed by ALJ Patricia McDonald's 2003 decision in IBLA 92-612. Judge McDonalds stated, "the record does not support a conclusion that the standards of four (4) feet of 10 percent K_2O as sylvite and four (4) feet of 4 percent K_2O) as langbeinite, or a combination of the two, as defined by Van

Sickle in 1974 continues to identify the thickness and quality of potash which is mineable under existing technology and economics" as required by the Secretarial Order of 1986.

The board made their determination based on the assumption that the best way to determine the parameters or standards that constituted ore is to examine the actual mining that is occurring. The board examined numerous mining areas where development mining occurred to the "economic limit" of the ore body. The board found that for Sylvite, development mining was discontinued when the ore grade was close to or below 10% K_2O Sylvite. Since very little Langbeinite ore has been mined at the economic cut-off, a simple ratio was used to determine the cut-off grade for Langbeinite. (Assuming mining costs, milling costs and sales value are similar to sylvite) This analysis yields a cut-off grade for Langbeinite of 4% K_2O.

The Mineral Land Classification Board was convened during the time IBLA was reviewing ALJ McDonald's decision in IBLA 92-612.

IBLAs Response and the Mineral Lands Classification Board

The IBLA concluded an analysis of the type used by the Board, was inadequate in determining the lowest grades that are mineable under existing technology and economics. IBLA stated in 2003-334 et al.: "Since potash mining is not a charitable undertaking, it logically follows that potash ore grades currently being mined are 'mineable under existing technology and economics'. It does not, however, necessarily follow that recent mining also establishes applicable economic cut-off grades. (i.e. grades below which it is no longer economic to mine potash) or identifies the outer limits of a potash enclave (i.e. minimum grades of potash ore that are mineable under existing technology and economics.)"

"For example, if 15% sylvite were mined, such could support a finding that > 15% sylvite is mineable but sheds little light on whether 10% is also mineable (but yet to be mined). Such mining would neither confirm nor rebut the continuing validity of the Van Sickle Standard (i.e. 4 feet of 10% Sylvite) for identifying potash enclaves under the Secretarial Order." (170 IBLA 40)

The Problem

The process of re-evaluating the potash enclave is complicated and time consuming. The entire process could take upwards of one year for completion. In the meantime, appealed APDs are being remanded and new APDs will continue to be submitted. Delaying the processing of APDs places a burden on the oil and gas companies and prevents BLM from meeting the deadlines established in the Energy Policy Act.

To avoid holding up all APDs until the potash enclave is re-evaluated, we recommend processing all APDs that we determine are not located in an area which could be affected

by a foreseeable change in the enclave standard. Three possible outcomes exist for an evaluation of the enclave standard:

1. The standard will remain the same and the enclave will not change.
2. The standard will be raised and the enclave will contract.
3. The standard will be lowered and the enclave will expand.

Below is a brief discussion of the affects each outcome will have on the enclave.

The Standard Remains the Same

If the economic standard remains the same as it is today, there will be no change in the boundary of the enclave. Retaining the existing standard is supported by the conclusions reached by the Mineral Lands Classification Board in 2005. The Board examined the average grades being mined today and the grades at which mining was discontinued. The Board determined the grade at which mining was discontinued (cut-off grade), is very close to or below that of the current standard. IBLA ruled that the type of evaluation used by the Board was inconclusive as to the lower limit of the cut-off grade, however, upper limit of the cut-off will be no higher than what is being mined today, but could be lower. That is, the potash ore grades currently being mined are 'mineable under existing technology and economics. It does not, however, necessarily follow that recent mining also establishes applicable economic cut-off grades. That is, the grade at which mining becomes uneconomic.

The Standard is Raised

Raising the cut-off standard will have the net affect of contracting the area of measured ore (enclave) in the Secretary's Potash Area.

Raising the standard is one of the three possible outcomes of an evaluation of the cut-off standard. However, the level to which the cut-off standard can be raised is limited by IBLAs determination that what is being mined today is mineable or economic. The average ore grade for Sylvite mining at the Mosaic mine for the last 6 months averaged 11.61% K_2O as Sylvite. It is logical to conclude that the cut-off grade for Sylvite will not be raised to level higher than that what is currently being mined or 11.61% K_2O as Sylvite.

The Standard Is Lowered

Lowering the cut-off grade will have the affect of expanding the enclave

An economic study is required to determine the cut-off grade, there is no definitive information available at this time to estimate the lower limit economical for mining (cut-off grade).

The Process and Solution

The potash enclave (Measured Ore) as depicted on the "Preliminary Map Showing Distribution of Potash Resource, Carlsbad Mining District, Eddy & Lea Counties, New Mexico" last published in 1993, was drawn with the following three criteria:

1. Measured ore will be delineated by data points more than 1½ miles apart if geologic inference shows these projections to be reasonable.

2. Measured ore will not be delineated by less than 3 data points that meet all other distance and thickness and grade criteria.

3. Measured ore will not be projected further than ½ mile from a data point which meets thickness and quality standards where no projection or geologic inference data exists.

Areas Not Affected By A Change In The Cut-Off Criteria

The current potash enclave has significant areas where the enclave boundary will not change whether there is an increase or decrease in the economic cut-off grade for potash.

Areas Lacking Data

A significant portion of the enclave boundary is defined by a lack of data points rather than by existing points which are subeconomic. That is, there are no data points extending beyond where the enclave boundary is currently drawn. The enclave was projected ½ mile beyond the last known data point which meets thickness and quality standards. The boundary in these areas will remain the same whether the standard is lowered or stays the same. Only if the standard is raised is there a possibility the boundary will change. The condition necessary for this to occur is when last known data point within the enclave contains ore quality between the current cut-off and where the cut-off would be if it were raised. In this case the area surrounding the core hole would not be classified as measure ore.

Since, leaving the standard the same or lowering it will have no affect on the enclave boundary and raising the standard could only contract the enclave, if we process APDs as if the standard didn't change, then there is no irreparable harm to the potash resource. We conclude that APDs in these areas can be processed as if the standard remained the same, according to the 1986 Secretary's Potash Order and the conditions set forth in the IBLAs decision.

Area Between The KPLA And The Secretary's Potash Area Boundaries

Large portions of the Secretary's Potash Area are located between the KPLA boundary and the Secretary's Potash Area Boundaries. The majority of this area is classified as barren of potash because the area either the lacks data points, the

data points are barren o potash or the data points contain sub-economic values of potash. In this area APDs can be processed as long as they are in an area which will not change whether the cut-off grade is raised or lowered, and according to the 1986 Secretary's Potash Order and the conditions set forth in the IBLAs decision.

Areas with a low Density of Core Holes

The ore reserves in the potash area are divided into three categories: Measured, Indicated, and Inferred. Measured is defined as ore where the "quantity is computed from dimensions revealed in outcrops, trenches, workings, or dill holes; grade and (or) quality are computed from the results of detailed sampling. The sites for inspection, sampling, and measurement are spaced so closely and the geologic character is so well defined that size, shape, depth, and mineral content of the resource are well established." In the potash area, Measured ore reserves will be delineated by data points no more than 1½ miles apart if geologic inference shows these projections to be reasonable, and Measured ore will not be delineated by less than 3 data points that meet all other distance and thickness and grade criteria.

If an area doesn't meet Measured ore criteria the next lower category is Indicated ore reserves. Indicated reserves are areas where the quantity and grade and (or) quality are computed from information similar to that used for Measured resources, but the sites for inspection, sampling, and measurement are farther apart or are otherwise less adequately spaced. The degree of assurance, although lower than that for Measured resources, is high enough to assume continuity between points of observation. Spacing of data points does not meet Measured ore criteria; yet data points show mineralization higher than minimum thickness and quality.

Areas where some information is available, but not to the degree of Indicated ore reserves, are termed Inferred. Inferred ore reserves are estimates that are based on an assumed continuity beyond Measured and (or) Indicated resources, for which there is geologic evidence. Inferred resources may or may not be supported by samples or measurements.

The areas currently classified as Indicated or Inferred ore in the potash area are delineated as such due to the low density of data points. In these areas, raising or lowering the cut-off standard will not have an impact the designation of either Indicated or Inferred.

APDs can be processed for the areas in Indicated and Inferred ore where the enclave boundary was not calculated utilizing one data point in Measured ore reserves and one data point located in Indicated or Inferred ore. Processing will be done according to the 1986 Secretary's Potash Order and the conditions set forth in the IBLAs decision.

Mined Out Areas

Areas exist where the potash enclave has been mined right up to the limits of ore. That is, no ore exists beyond what has already been mined, even though the 1993 map shows ore remaining. In these mined out areas there may or may not be data points on either side of the enclave boundary. Even if small quantities or ore remains beyond the mine workings, there may not be any reasonable access for further mechanical underground mining. In these areas it doesn't matter whether the standard is raised or lowered, no further mechanical mining is possible. For these areas, we conclude that APDs can be processed as if no ore is present, while considering safety hazards created by subsidence resulting from past mining operations.

Barren Areas Defined By Core Holes

There are limited areas where a barren area is defined by core holes which are completely barren of mineralization in every relevant ore zone. These areas may be on the exterior of the potash enclave or they may be completely surrounded by enclave. The enclave boundary present between these barren core holes and ones that have mineralization may shift as the cut-off standard changes, but it can never extend beyond the barren core holes. APDs can continue to be processed in the areas which will remain barren regardless of a change in the cut-off standard.

Areas In Residuum

On the western side of the potash enclave there are areas where dissolution of the Salado Salt has occurred. The flow of under-saturated ground water moving in the formations at the top of the salt has dissolved the salt away, in places, completely through the all of the potash ore zones leaving the insoluble residuum in place. The enclave boundary present between these core holes with all ore zones in residuum and ones that have mineralization in ore quality may shift as the cut-off standard changes, but it can never extend beyond the residuum core holes. APDs can be processed in the areas which will remain non-mineralized due to dissolution of the salts through the ore zones, regardless of a change in the cut-off standard.

Drilling Islands

Areas within the potash enclave where BLM has previously established drilling islands as pursuant to the 1986 Secretarial Order can remain open for further applications. Drilling islands, by definition, are within the potash enclave and were established in areas that minimize the loss of potash ore. Their size is determined by existing conditions or set to a minimum size and not in relation to the potash enclave boundary. Raising or lowering the cut-off standard may have an affect on the enclave boundary. However, since most drill islands are well

within the enclave and established in particular locations for reasons other than the enclave boundary. Changing the enclave boundary will not have an affect on the drill islands size or location.

Since drill islands are established within the potash area in areas which minimize the impacts to measured potash reserves, the establishment of appropriately sited drill islands would be the same whether the cut-off standard is raised or lowered. Thus, nothing should prohibit BLM from continuing to establish appropriately sited drill islands within the enclave or processing APDs in existing drill islands, during the period the enclave cut-off standard is being re-evaluated.

Infield Drilling in Barren Areas

There are several areas where oil and gas wells have been drilled in barren areas on approximately 40 acre spacing and are immediately adjacent to the potash enclave as presently drawn. If the cut-off standard is raised or lowered, these areas will remain impacted by the existing wells. Drilling more wells within these fields will not create further impacts to potash resources. APDs which constitute infield drilling can continue to be processed.

Interior High Grade Areas

Areas in the interior portion of the enclave, where ore is present with a quality well above the present cut-off, will not change whether the standard is raised or lowered.

IBLA determined that what is being mined today is mineable, but not necessarily the lowest grades that can be mined economically. This implies that after the economic study of the cut-off grade is completed, the upper limit of the cut-off grade will be no higher than that of ore being mined today. The average ore grade for Sylvite mining at the Mosaic mine for the last 6 months averaged 11.61% K_2O as Sylvite. Considering the IBLA determination, the cut-off grade for Sylvite will not be raised to an amount higher than 11.61% K_2O for Sylvite. Thus, any enclave established with a grade above 11.61 % will remain enclave and APDs in these areas can be processed according to the 1986 Secretary's Potash Order, with the additional conditions required by the IBLA in the referenced decision.

Areas Which Could Be Affected By A Change In The Cut-Off Criteria

There are areas within the Secretary's Potash Area which could be affected by a change in the cut-off standard. In these areas, the approval or denial of the APDs will be deferred until after establishment of a new cut-off standard.

Areas with Core Holes Currently Containing Marginal or Sub-economic Ore.

There are areas in the Secretary's Potash Area, within the enclave or close to the enclave boundary where core holes contain mineralization just above or below the current cut-off standard and meeting all other measured ore reserve criteria. In these areas a change in the standard would have an affect on the location of the enclave boundary. As described above, any areas of the enclave defined by core holes containing ore above 11.61% K_2O as Sylvite, would remain enclave. Areas below this grade may change. Processing APDs submitted near these areas will be deferred until after the cut-off standard is determined.

Areas Between Core Holes Containing Economic Ore and Barren Core Holes

Areas classified as barren which contain one or more core holes which are barren of mineralization and located within a reasonable distance of other core holes where geologic inference is acceptable, will most likely have a change in the enclave boundary. Processing APDs submitted in areas where the enclave could change if the cut-off standard is raised or lowered will be deferred until the cut-off standard is re-evaluated.

Conclusion

We conclude that APDs can continue to be processed, either for approval or denial, in areas which conclusively will not be affected by raising or lowering the cut-off standard for potash. For those areas that might change, processing APDs will be deferred until after the cut-off standard is re-evaluated. In either instance, specific case-by-case, fact based determination will be made to process or defer a particular APD. Final decisions will be made for any APD processed according to the requirements of the Secretary's 1986 Order and the guidance of the IBLA decision.

GFS(MIN) 63(1979), 42 IBLA 150, 1979 WL 16118 (I.B.L.A.)

United States Department of the Interior
Office of Hearings and Appeals
Interior Board of Land Appeals

**1 BELCO PETROLEUM CORP.

IBLA 79-40

Decided August 16, 1979

INDEX CODE:
30 CFR 290.7

Appeal from a decision of the Acting Director, U.S. Geological Survey, affirming the Area Oil and Gas Supervisor's refusal to approve an application to drill for oil and gas in a potash enclave within a designated Potash Area. GS 112 O & G.

Affirmed.

1. Mineral Leasing: GEOLOGICAL SURVEY; MULTIPLE MINERAL DEVELOPMENT ACT; OIL AND GAS LEASES.

An application for permit to drill for oil and gas in a designated Potash Area is properly denied where the applicant fails to show that his application comes within either of the two exceptions to the policy in favor of potash development enunciated in an Order of the Secretary, dated Oct. 7, 1975, 40 FR 51486.

*150 APPEARANCES: James Patrick Miller, Esq., Belco Petroleum Corp., Houston, Texas, for appellant; Robert G. Berger, Esq., Division of Energy and Resources, Office of the Solicitor, U.S. Department of the Interior, Washington, D.C., for U.S. Geological Survey.

OPINION BY ADMINISTRATIVE JUDGE HENRIQUES

Belco Petroleum Corporation (Belco) appeals from a decision of the Acting Director, U.S. Geological Survey (USGS), dated September 21, 1978, affirming the Area Oil and Gas Supervisor's refusal to approve an application for permit to drill. The refusal at issue involved Belco's application to drill the Bass Federal Well No. 3 in sec. 19, T. 20 S., R. 33 E., New Mexico principal meridian, on Federal lease NM 03023-A.

*151 By decision of May 20, 1977, the Area Oil and Gas Supervisor informed Belco that its application was denied because 'the drilling of an oil or gas well at the above-described surface location would result in undue waste of commercial potash deposits.' The Supervisor also alluded to an arbitration meeting with Belco and Kerr-McGee Corp., an applicant for a potash lease in the same area, during which the Supervisor indicated that 'USGS would favorably consider an application to drill an oil and gas well at a surface location which would twin the Belco No. 1 Bass Federal in the SE 1/4 NW 1/4 sec. 30, T. 20 S., R. 33 E.; such well to be directionally

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drilled from a point below the salt to bottom at the proposed location for your Bass Federal No. 3 in Section 19. The waste of commercial potash deposits caused by a well drilled directionally as described above would be minimal.'

Belco appealed this decision to the Director, U.S. Geological Survey, on June 13, 1977. In his decision of September 21, 1978, the (Acting) Director affirmed the decision of the Area Supervisor. The basis of the Director's decision was an order signed by Acting Secretary of the Interior, Kent Frizzell, dated October 7, 1975, 40 FR 51486. The lands involved in Belco's application lie within an area designated a 'Potash Area' by this same order. The order states in part:

> It will be departmental policy to deny approval of most applications for permits to drill oil and gas tests from surface locations within the potash enclave . . .. Two exceptions to this policy will be permitted under the following conditions:
>
> **2 a. Drilling of vertical or directional holes will be allowed to take place from barren areas within the potash enclaves when the Area Mining Supervisor determines that such operations will not adversely affect active or planned mining operations in the immediate vicinity of the proposed drillsite.
>
> b. Drilling of vertical or directional holes will be permitted to take place from a drilling island located within a potash enclave when: (1) there are no barren areas within the enclave or drilling is not permitted on the established barren area(s) within the enclave because of interference with mining operations; (2) the objective oil and gas formation beneath the lease cannot be reached by a well which is vertically or directionally drilled from any permitted location within the barren area(s); or, (3) in the opinion of the Area Oil and Gas Supervisor, the target formation beneath a remote interior lease cannot be reached by a well directionally drilled from a surface location outside the potash enclave. Under these circumstances, the Area Mining Supervisor will, in consultation with the Area Oil and *152 Gas Supervisor, establish an island within the potash enclave from which the drilling of that well and subsequent wells will be permitted. The Area Mining Supervisor in establishing any such island will, consistent with the data supplied by the Area Oil and Gas Supervisor regarding present directional drilling capabilities, select a site which will minimize the loss of potash ore. No island will be established within one mile of any area where approved mining operations will be conducted within three years. To assist the Area Mining Supervisor in this regard, he may require affected potash mining operators to furnish a three-year mining plan.

Although the Area Oil and Gas Supervisor made no findings as to whether Belco came under either of the above exceptions, the Director specifically found that Belco was covered by neither exception. Indeed, the decision of the Area Oil and Gas Supervisor of May 20, 1977, did not make reference to the order of October 7, 1975. Whatever deficiencies may have been present in the Supervisor's decision have been corrected by the Director's decision. It is the Director's decision which this Board is authorized to review. 30 CFR 290.7 (1978).

In its statement of reasons before the Board, Belco does not dispute the Director's findings that it (Belco) did not qualify for either of the two exceptions set forth in the order. Instead, Belco continues to focus upon the holding of the Area Oil and Gas Supervisor that drilling would cause undue waste of commercial potash deposits. While prevention of undue waste of potash is consistent with the policies set forth in the order,[FN1] the grant or denial of an application for permit to drill is governed by the clear terms of the order. Belco makes the following points:

1. At the time of Belco's application, there was no potash lease covering the subject lands. Hence the Supervisor's refusal was based on the twin supposition that a potash lease would issue in the future and that undue waste would be caused to such lease by Belco's *153 drilling. Such refusal was unreasonable, arbitrary, and

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an abuse of discretion.

**3 2. The Order of October 7, 1975, requires all mining and exploratory operations for potash be conducted in such a way that they will not be a hazard to oil or gas production or will not unreasonably interfere with the orderly development and production under any oil and gas lease issued for the same land.

We will address each point in order.

The order of October 7, 1975, and its predecessors[FN2] reveal the Department's efforts to accommodate oil and gas drilling operations on lands which have been designated a Potash Area. The language in the Order discloses a decided preference for potash operations: 'It will be departmental policy to deny approval of most applications for permits to drill oil and gas tests from surface locations within the potash enclaves . . ..' Enclaves are those presently unmined areas which are considered to contain a minable reserve in one or more ore zones, i.e., those areas where potash ore is known to exist in sufficient thickness and quality to be minable under present-day technology and economics. 40 FR 51487. The fact that an area is presently unmined does not deny it the preference accorded active mines.

Belco claims that the subject lands were not only unmined at the time of the Area Oil and Gas Supervisor's denial, but were also not subject to a potash lease at that time. The record reveals, however, that an application for a competitive potash lease had been submitted prior to the Supervisor's decision and that the applicant, Kerr-McGee Corp., strongly opposed Belco's proposed drilling. The record further reveals statements by the Area Geologist, Southern Rocky Mountain Area, dated May 20, 1977, and by the Area Mining Supervisor, SRMA, dated September 19, 1977, which support a finding that potash reserves in the amount of 3.76 million tons exist in the proposed drilling area in minable thickness and grade. We hold, in light of this Department's preference for potash development in a designated Potash Area, that the Director's decision properly followed the Secretarial order and, therefore, was neither unreasonable, arbitrary, nor an abuse of discretion. While the formulation of Departmental policy is properly the domain of the Secretary, it is the function of this Board to review decisions of Geological Survey and the Bureau of Land Management for *154 their compliance with such policies. Wood Petroleum Corp., 12 IBLA 247 (1973).[FNa]

Belco's second argument on appeal calls our attention to a paragraph in the order of October 7, 1975, forbidding potash mining or exploratory operations, which in the opinion of the Area Mining Supervisor, would constitute a hazard to oil or gas production or would unreasonably interfere with orderly development and production under any oil and gas lease issued for the same land.[FN3] The decisions of both the Area Oil and Gas Supervisor and the Director acknowledge that 'USGS would favorably consider an application to drill an oil and gas well at a surface location which would twin the Belco No. 1 Bass Federal . . .; such well to be directionally drilled . . ..' This option has been at least implicitly rejected by Belco by the filing of this appeal. Belco has not presented any facts which would show that the target formation could not be reached by a well directionally drilled from the area proposed by USGS or that the cost of such directional drilling would not be economically feasible. Thus, it cannot be said that the potential potash production has unreasonably interfered with Belco's operations.

**4 Further issues raised by Belco's statement of reasons are irrelevant to the Director's decision to affirm the Supervisor's refusal of Belco's application.

Therefore, pursuant to the authority delegated to the Board of Land Appeals by the Secretary of the Interior, 43 CFR 4.1, the decision appealed from is affirmed.

Douglas E. Henriques

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Administrative Judge

We concur:

Newton Frishberg

Chief Administrative Judge

Joan B. Thompson

Administrative Judge

FN1 As a condition to the issuance of a lease, each successful applicant for a noncompetitive oil and gas lease and any party awarded a competitive lease for lands in the designated Potash Area will be required to execute a stipulation to the lease, stating:
'2. No wells will be drilled for oil or gas at a location which, in the opinion of the Area Oil and Gas Supervisor, would result in undue waste of potash deposits or constitute a hazard to or unduly interfere with mining operations being conducted for the extraction of potash deposits.'

FN2 The present order is substantially similar to an order of the Secretary of the Interior, dated May 11, 1965, 30 FR 6692-93. This prior order is subject to the provisions of an order of the Secretary, dated October 16, 1951, 16 FR 10669, and an order of the Secretary dated February 6, 1939, 4 FR 1012.

FNa) GFS(MIN) 73 (1970)

FN3 See note 1, supra, for a similar expression in favor of potash mining.

GFS(MIN) 63(1979), 42 IBLA 150, 1979 WL 16118 (I.B.L.A.)
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JOINT INDUSTRY STUDY:

The September 9, 2009, Sandia National Laboratories Report, "*Geomechanical Analyses to Investigate Wellbore/Mine Interactions in the Potash Enclave of Southeastern New Mexico*," ("SNL Report") is procedurally and substantively fatally flawed as discussed in detail in the Oil and Gas Stakeholder Comments provided to Sandia and the Bureau of Land Management in October 2009. The Potash Stakeholders expressed many of the same concerns as oil and gas stakeholders as indicated by their letter to SNL on comments for the draft study plan. Apparently, SNL ignored the comments of the Potash Stakeholders when those comments shared the concerns of the Oil and Gas Stakeholders.

In order to resolve the flaws in the SNL Study, a group of potash and oil and gas stakeholders propose to conduct a Joint Industry Study to develop a monitoring and testing protocol to provide sufficient data to prepare a gas migration/setback plan that will allow for safe, maximum ultimate recovery through concurrent development of both potash and oil and gas deposits in the Secretarial Area.

PURPOSE OF STUDY: The purpose of the Joint Industry Study will be to address all pertinent issues on gas migration and subsidence in a timely, efficient, cost effective, and scientifically valid manner, consistently with the actual field history and data. Specifically, the Joint Industry Study will address: (1.) gas migration, (2.) well bore design, (3.) rock mechanics, (4.) oil and gas operating practices, (5.) mining operations practices, and any other pertinent issues. The industries anticipate that knowledgeable persons from the Carlsbad Field Office will be involved in the process. In addition, the parties intend to conduct the Study in such a manner that interim milestones will be reached to define certain and particular circumstances in which concurrent development for oil and gas and potash can safely proceed without causing a hazard to or interfering with the operations of either industry. As such milestones are reached, the parties will ask jointly DOI/BLM to approve concurrent operations based on the scientifically proven milestones. The length of time required for conducting the entire Joint Industry Study will be determined by the items to be included in the study. At the conclusion of the Joint Industry Study, the parties will make agreed upon recommendations for final policy changes, if any, to DOI/BLM, consistent with the science and actual field data, so as to result in safe, maximum ultimate recovery and concurrent development of both potash and oil and gas resources in the Secretarial Area.

REQUEST FOR DOI/BLM COOPERATION PENDING JOINT INDUSTRY STUDY:

The parties request a commitment from DOI/BLM to cooperate with the Joint Industry Study by providing approvals to both industries for such operations requested by the industries as necessary to complete the Joint Industry Study in a timely, efficient, cost-effective and scientifically valid manner.

The parties request a commitment from DOI/BLM to expeditiously issue directives to allow concurrent operations based on scientifically established milestones as those milestones are available during the process of conducting the Joint Industry Study. The parties also request a commitment from DOI/BLM that APDs for well locations in the Secretarial Area will be processed according to the 1986 Order, the extensive body of law interpreting the 1986 Order, the 2009 NM State Office Directive, and such milestones as are dictated by the science established in the Joint Industry Study process pending final issuance of the Joint Industry Study.

The parties request DOI/BLM's commitment to consider and implement such policy changes as are mandated, if any, by the science established by the Joint Industry Study.

Finally, the parties request a recognition by DOI/BLM that the Sandia Gas Migration study does not resolve all pertinent issues relating to gas migration, and a commitment to make no policy changes based on the Sandia Gas Migration Study.

BLM/ Potash

DEPARTMENT OF THE INTERIOR

TASKING PROFILE

ACCN #:	ESO-00021008	Status:	Closed	Fiscal Year:	2010
Document Date:	**Received Date:**	**Due Date:**	**Action Office:**	**Signature Level:**	**Doc Source:**
08/23/2010	08/31/2010		BLM	AA	IND

To (Recipient): Salazar, Ken

From (Author): Jornayvaz III, Robert P.

Executive Chairman of the Board of Directors
Intreid Potash, Inc.
707 17th Street, Suite 4200
Denver, CO 80202

Subject Text: Board of company that mines potash ore copied Sec. Salazar on follow up letter to BLM Dir. Abbey reiterating request to define "areas" for mining, and apologies for inaccuracies in first letter.

Req. Surnames:

Mail Carrier: PM **Mail Track #:**

Cross Ref:

Copies To: SIO-OES

Status Tracking: 09/14/2010 13:55:26 PM - Lisa Cannuscio : Courtesy duplicate copy sent to Deputy Sec. Hayes; is "In Comment" at BLM as of 8/31/2010

Correspondence Specialist and Phone: SIO-OES

Closed Comments:

Signed:

INTREPID POTASH.

Intrepid Potash, Inc.
707 17th Street, Suite 4200
Denver, CO 80202
303.296.3006
303.298.7502 fax

Via Overnight Delivery

August 23, 2010

Robert V. Abbey
Director
Bureau of Land Management
1849 C Street NW, Rm. 5665
Washington DC 20240

Re: July 30, 2010 Letter

Dear Director Abbey:

I am writing to follow up and correct two statements in my letter to you of July 30, 2010.

On page 5, we discussed the core drilling program that Intrepid undertook in 2008-2009. We noted the data that we had provided to the BLM in April, May and June 2009. We also noted that our records do not reflect a response from the BLM to our submission of this data. We need to correct that statement. This morning, we located a letter from Jim Stovall in the Carlsbad Field Office, undated, but that appears to have been received on June 15, 2009 in response to our data submission. In that letter, Mr. Stovall states that, "at face value," the data confirms measured potash ore where the BLM's Potash Resource map showed none. Mr. Stovall goes on to state that the BLM will still not revise its Potash Resource map based on this data because Sandia National Laboratories is conducting a cut-off grade and enclave mapping study. He does state that BLM will "defer" making decisions on APDs "which fall within areas that reasonably could become measured ore." We have asked the BLM for greater definition as to these "areas" based on all of the core data we have submitted and reiterate that request here.

On page 6, we noted the delays we have experienced in obtaining potassium leases from the BLM. We stated that we had been forced to stop mining in certain directions because of these delays. It would be more accurate to state that the delays in issuing potassium leases have caused us to design our mine planning around the absence on certain potassium leases.

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EXECUTIVE SECRETARIAT
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We apologize for these inaccuracies in our letter, and any confusion caused thereby.

In closing, we also wanted to make clear that we continue to have a strong, valuable and positive working relationship with the personnel at the BLM's Carlsbad Field Office and appreciate all of their hard work. As we discussed with you, we believe that direction from you on the matters addressed in my July 30 letter will enable the BLM, through its Carlsbad Field Office, to best protect the safety of potash miners, best protect from waste our nation's only strategic potash reserve, and best promote a regulatory environment supportive of the potash producers' continuing investment in high-paying, long-term jobs.

Very truly yours,

Robert P. Jornayvaz III
Executive Chairman of the Board of Directors

cc: Honorable Harry M. Reid, United States Senator, Senate Majority Leader
Honorable Jeff Bingaman, United States Senator
Honorable Ken Salazar, Secretary, U.S. Department of the Interior
Honorable David J. Hayes, Deputy Secretary, U.S. Department of the Interior ✓
Honorable Hilary Chandler Tompkins, Solicitor, U.S. Department of the Interior
Honorable Ned Farquhar, Deputy Assistant Secretary, Land and Minerals Management, U.S. Department of the Interior
Jim Stovall, Field Manager, Bureau of Land Management *(via facsimile)*
Craig Cranston, Lead Mining Engineer *(via facsimile)*

COPY

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INTREPID POTASH.

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Executive Chairman of the Board of Directors

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Honorable Ned Farquhar, Deputy Assistant Secretary, Land and Minerals Management, U.S. Department of the Interior
Jim Stovall, Field Manager, Bureau of Land Management *(via facsimile)*
Craig Cranston, Lead Mining Engineer *(via facsimile)*

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ROBERT JORNAYVAZ
303-296-3006
INTREPID POTASH INC.
707 17TH STREET
DENVER CO 80202

1 LBS PAK 1 OF 1

SHIP TO:
U.S. DEPARTMENT OF THE INTERIOR
202-208-3100
HONORABLE DAVID J. HAYES
1849 C STREET, NW
WASHINGTON DC 20240-0001

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COPY - was also sent to Secretary Salazar Slony

BLM/Potash

INTREPID POTASH.

Intrepid Potash, Inc.
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Via Overnight Delivery

July 30, 2010

Robert V. Abbey
Director
Bureau of Land Management
1849 C Street NW, Rm. 5665
Washington DC 20240

Re: July 20, 2010 Meeting with Intrepid Potash, Inc.

Dear Director Abbey:

Thank you for meeting with us on July 20. We appreciate your generosity with your time and that of the other BLM staff members. We believe, as we know you do, that constructive and open dialogue helps avoid misunderstandings and misperceptions.

A. The Potash Area – Protecting America's Only National Potash Reserve

At our meeting, we discussed a number of very important issues. Our discussion, of course, centered around the federally-protected Potash Area in southeastern New Mexico where Intrepid is one of the state's largest federal lessees. We note the obvious first. This area is the federal *Potash* Area, not the federal *Oil and Gas* Area because it is the nation's only strategic potash reserve. Nowhere else in the U.S. are there potash reserves of this magnitude. This is in contrast to oil and gas reserves, which, while undoubtedly important to our nation, can be found throughout the southwestern U.S., among many other domestic locations. As we explained, maintaining a robust, domestic potash supply is absolutely essential to food security and independence and to our nation's biofuels program, a point made by a bipartisan group of Senate Ag Committee members, including leadership, in their letter of December 8, 2009, to Secretary Salazar. **Ex. A.** At present, the U.S. imports 85 percent of its potash. We can scarcely afford to become entirely dependent on foreign potash suppliers.

B. Intrepid is Putting America Back to Work

As I laid out in some detail, consistent with this Administration's highest priority (jobs), Intrepid has made and continues to make extraordinary investment in rural southeastern New Mexico creating hundreds of direct jobs and even more indirect jobs through vendors, supplier, contractors, etc. We are investing hundreds of millions of dollars each year into our New Mexico operations. To pull this country out of recession, it is vital that companies like Intrepid have certainty that federal mineral resources will be properly protected from waste to enable continued investment and job growth. Aside from jobs, it is even more vital that Intrepid's miners are protected from methane gas migration from nearby oil and gas wells so they can go

home each night to their families. We all must do everything possible to avoid a repeat of the horrible West Virginia mine tragedy which showed firsthand the dangers of migrating methane gas.

C. Intrepid Does Not Seek to Stop All Drilling in the Potash Area.

It is absolutely essential that you understand that Intrepid is ***not*** seeking to stop all drilling in the Potash Area, despite false representations made by oil and gas interests for political purposes to the contrary. In fact, every week we work with oil and gas companies to determine if their drilling locations are consistent with protecting miner safety and avoiding waste of potash. Where the locations are consistent with these basic and reasonable ends, we do not object to the drilling. I have enclosed examples of letters we have written to various oil and gas companies consenting to drilling in the Potash Area, one of which was sent just last week. **Ex. B.** You will see familiar names in these letters: Lynx Petroleum, Chesapeake Energy Corporation, Mewbourne Oil Company, and Cimarex Energy Co. We have also enclosed a list of more than one hundred federal oil and gas wells in the Potash Area over the past year that we have not protested. **Ex. C.** We will continue to work in good faith with the oil and gas industry to consent to appropriate drilling.

D. Intrepid's Proposal to Revise the Interim Processing Guidelines

In our meeting, we raised with you our October 16, 2009 letter to you in which we proposed a common sense revision to the Interim Processing Guidelines (Instruction Memo No. NM-2009-012). As discussed in that letter, the BLM often finds itself in the position of evaluating APDs in locations where they think there may be potash (*i.e.*, it is "indicated" or "inferred') but where they are not certain because of a lack of data. At present, the Interim Processing Guidelines allow an APD to be granted in these locations. As I noted in our meeting, we would assume that if the BLM has an "indicated" or "inferred" potash asset worth potentially billions of dollars, it would want to know for certain whether it was truly there or not to avoid unknowingly wasting it, and unwittingly foregoing hundreds of millions of dollars in potash royalty payments. Certainly, our nation's taxpayers are owed at least this much, particularly in these challenging economic times. Bad, incomplete and out of date data only leads to bad management decisions and waste. Responsible stewardship depends on informed management decisions. The status quo of APD approvals being made on the basis of incomplete data unfairly favors oil and gas interests, wastes potash, and risks miner safety. A level playing field based on complete and sound scientific data is essential.

Our October 16, 2009 letter lays out a straightforward process to fill in these data gaps and allow for informed resource management decisions; and is a process to be paid for at industry's, not government or taxpayers', expense. In short, the proposed procedures would afford notice to the potash producer of an APD in one of these "Areas Lacking Potash Data" or "Areas with a Low Density of Core Holes," at which time they either have to elect to drill the needed number of core holes (at their sole expense) and turn over the data to the BLM or choose not to drill any core holes in which case drilling can expeditiously proceed. This simple procedure would provide the BLM the data it needs to make informed resource management decisions and not waste our nation's precious potash reserves. We have spoken to numerous Congressional leaders

about this proposal as well as to others in the Department of the Interior and there is broad support for it.

E. The Okerlund Well Demonstrates Why Revision of the Interim Processing Guidelines is Needed

We have recently seen firsthand why this revision to the Interim Processing Guidelines is needed. Within the last ten days, only by a fortuitous discussion with a BLM representative in the Carlsbad Field Office, our Landman learned that the BLM was inclined to approve an APD for Yates Petroleum, the Okerlund AKI 7 Federal well, in Section 7, T.21 S., R.32 E., Lea County, New Mexico. **Ex. D.** We were surprised and dismayed to learn this given the following facts:

- Drilling at this location would result in an unmined safety buffer around the well that would waste potash that Intrepid intends to mine from its East mine.

- The well would be approximately one mile from open mine workings of Intrepid's East mine which presents the type of methane gas safety hazard that we all tragically witnessed at the Upper Big Branch coal mine in West Virginia and that has been confirmed by Sandia National Laboratories.

- The location of the well is within Intrepid's life of mine reserve.

- Intrepid's analysis of data from the area demonstrates that the area contains measured ore.

- Intrepid has had a potassium lease modification application covering the south ½ of Section 7, T.21 S., R.32 E pending with the BLM since May 2007.

- The safety buffer for the proposed well would impact the east half quarter of Section 12, T.21 S., R.31 E which is also part of this same potassium lease modification application pending since May 2007.

- The safety buffer for the proposed well would impact Intrepid's federal potassium lease NMNM-0292684, covering the northwest quarter of Section 18, T.21 S., R.32 E. and the northeast corner of Section 13, T.21 S., R.31 E.

- The proposed well would impede access to hundreds of millions, if not billions, of dollars of commercial potash deposits identified by Intrepid through core hole drilling in sections 13 and 24, T. 21S., R. 31E, and in sections 16, 17, 18, 19, 20, 21, 28, 29 and 30, T. 21S, R. 32E.

- This well would be just another board in the fence that the oil and gas industry (and Yates Petroleum in particular) is seeking to build east of Intrepid's East Mine to prevent mining of rich potash reserves eastward.

When asked how the drilling of this well could possibly be approved given the facts, we were told that the drill pad location is an "Area with a Low Density of Core Holes," and, pursuant to the Interim Processing Guidelines, approval of the APD was therefore appropriate.

As the enclosed map reflects, there are two data points (core holes) within 1.5 miles of the proposed Okerlund well. They are the IMC-160 core hole, located in Section 12, T.21 S., R.31 E. at 2640' NSL and 2640' EWL, and the K-153 core hole, located in Section 13, T.21 S., R.31 E, 70' FSL, 70' FEL. Data from both of these core holes are in the BLM's files in the Carlsbad Field Office. The data shows that both core holes meet the thickness and grade standard of 4 feet of 10% K20 as sylvite. Thus, we are presented with precisely the scenario that led us to propose the revisions to the Interim Processing Guidelines. This area is just one data point shy of having the requisite three data points within 1.5 miles of each other.

Had our proposed revision to the Interim Processing Guidelines been in place, we would have received sufficient notice of the BLM's plans to grant an APD at this location and the opportunity to elect to drill a core hole at our expense to enable informed resource management. Instead, we are, frankly, scrambling to analyze this location, plead with the Carlsbad Field Office not to rush to grant this APD, and obtain a permit to drill a core hole at the location of the proposed well. Fortunately, we have a drilling rig in the area and already have an exploration license in Section 7 (**Ex. E**) so that drilling a core hole quickly is possible, assuming BLM cooperation and consent. Our initial discussions with the Carlsbad Field Office (Craig Cranston) on this issue have been positive and we are optimistic that we will be given the opportunity to obtain the needed data for the BLM by drilling one additional core hole. With this needed data, BLM can make an informed management decision and either allow drilling of the Okerlund well if the location does not have measured ore or not allow drilling if the location has measured ore. Obviously, formalizing this process would create better predictability for both BLM and its lessees.

F. Oil and Gas Leases Stipulate No Waste of Potash

With respect to the Okerlund well, you asked a question about when Yates obtained its oil and gas lease in this area. We wanted to respond to this issue because it is imperative that a few key facts are understood with regard to oil and gas leases in the Potash Area. The answer is September 1985. However, the Secretarial Order in place at the time regarding "Oil, Gas and Potash Leasing and Development within the Potash Area," 40 Fed. Register 51486 (Nov. 5, 1975), provides that oil and gas leases in the Potash Area contain a stipulation that "[n]o wells will be drilled for oil or gas at a location which, in the opinion of the Area Oil and Gas Supervisor, would result in undue waste of potash deposits or constitute a hazard to or unduly interfere with mining operations being conducted for the extraction of potash deposits." *Id.* at III.A.2. We have made repeated requests to the New Mexico State Office for guidance as to when waste of potash deposits is "undue," i.e., millions of dollars, tens of millions, billions, etc., but have never received any clarification. If there is a standard that the BLM is using for "undue waste," fairness and transparency dictate that it be shared with the potash producers. We also note that the Secretarial Order further provides that "[i]t will be departmental policy to deny approval of most applications for permits to drill oil and gas test wells from the surface locations within the potash enclaves. . . ." *Id.* at III.E.1. Consequently, when Yates Petroleum obtained

these oil and gas leases it was known and understood that drilling may be limited or not allowed at all if it would unduly waste potash or unduly interfere with mining operations. One would assume these limitations were priced into the cost of the lease.

G. Intrepid's Core Drilling Program

We have put in place a core drilling program in the Potash Area to fill in the missing data points in the many locations where we plan to mine that are defined by the BLM as "Areas Lacking Potash Data" or "Areas with a Low Density of Core Holes." We will continue to move forward with that core drilling program. That program, however, does not obviate the need for our proposed revisions to the Interim Processing Guidelines. The reason for this is simple. We do not know and cannot anticipate all of the locations where the oil and gas industry would like to drill in the Potash Area, when they will file their APDs, or when the BLM will review the APDs. Therefore, we may not have our core drilling program perfectly in synch with where the next APD may arise. As the recent Okerlund APD incident showed, without sufficient notice and the right to drill core holes, we are forced to, at a moment's notice, interrupt our drilling program and try to get a drilling rig moved to the needed location with no guarantee that we will be given the right to obtain this data for the BLM. Frankly, this last minute, mad dash approach doesn't serve any of our, or our nation's, best interests.

We described to you the specific core drilling that we undertook, at cost of more than $1 million, in 2008 and 2009 to evaluate the lands east of our East Mine and, in particular, in sections 13 and 24, T. 21S., R. 31E, and in sections 16, 17, 18, 19, 20, 21, 28, 29 and 30, T. 21S, R. 32E. Intrepid drilled seven core holes, all of which showed exactly what Intrepid's analysis of electric logs run in oil and gas wells in this same area showed: measured ore. As we discussed, because of the way that the Sandia National Labs study on elogs was framed (not evaluating their use in a correlative manner), Sandia did not find elogs to be a suitable tool for establishing the exact grade of potash present in the salt. Yet, when we cored these areas we found that, in fact, they did have measured potash ore just as the elogs had indicated. We told you that we had provided this data quite some time ago to the BLM and requested that the BLM revise its resource map to accurately show that this area has measured potash ore. We have checked our records and we provided this data to the BLM in April, May and June 2009. See **Ex. F**. As we noted in the meeting, we have never received a formal response to the submission of this data, much less a revision of the BLM Resource Map.

BLM recently informed us that they cannot update their Resource Map because they have commissioned Sandia National Labs to undertake a thickness and grade study to determine at what thickness and grade potash is commercial. Putting aside the wisdom of having Sandia National Labs determine what is profitable for Intrepid (a for-profit corporation with public shareholders) to mine, as we discussed, there is a substantial imbalance and unfairness here. If the potash resource map (known to be inaccurate) cannot be updated and corrected with new data while Sandia is undertaking its thickness and grade study, why can APDs continue to be issued on the basis of a map known to be inaccurate and possibly in a state of flux? We appreciate your recognition at the meeting that this was a fair point. We would appreciate your review of this issue.

H. Delays in Issuance of Potassium Leases

We raised with you the inordinate amount of time it is taking BLM to issue potassium leases. We informed you that we have had to stop mining in certain directions because we are waiting on the issuance of a potassium lease. We have enclosed a chart that details the delays in issuing these leases. **Ex. G.** As you will note, we applied for some of these leases more than 3 years ago. This is all the more difficult to understand when you consider that many of these leases are lease modifications or "fringe" leases to our existing leases on which we have current mining operations. We would appreciate whatever you can do to speed up this process.

I. The Recent Carlsbad Field Office Oil and Gas Lease Sale

We also raised with you the recent (July 21, 2010) oil and gas lease sale by the Carlsbad Field Office. We were informed weeks before this sale that the BLM intended to include in the lease sale, two parcels (NM-201007-030 and NM-201007-031), that, without exaggeration, sit in the "Times Square" of potash operations in Potash Area. As the map enclosed as **Exhibit H** shows, the location of these parcels in Sections 33 and 34, T. 21S, R. 30 E., Eddy County, New Mexico lies right in between Intrepid's East and West Mines and Mosaic's Mine. Specifically, the parcels are within 1 mile of Intrepid's open mine works and are shown on Intrepid's three-year mine plan. Moreover, the two parcels are within a potassium lease that Intrepid applied for more than two years ago. Contrary to statements by the New Mexico State Office staff, there are presently no producing wells on the parcels. None. Once again, the BLM's maps of this area were simply inaccurate and outdated. Wells the State Office thought were still producing had been plugged and abandoned years ago. Several days of mad scrambling and repeated phone calls to BLM officials in New Mexico resulted in a reluctant removal of these parcels from the lease sale. Nonetheless, the fact that these parcels were ever thought to be suitable for oil and gas leasing shows precisely the very significant resource management issues that continue to exist in BLM offices in Carlsbad and Santa Fe and is startling given recent tragic events across the country. Clearly, responsible stewardship from Washington is called for here.

J. Yates Petroleum and OXY, USA are Seeking to Obtain Potash Leases with the Intention of Wasting the Potash through Oil and Gas Drilling

Unfortunately, history is repeating itself in the Potash Area. In 1992, Yates Petroleum Corporation and Pogo Producing Company came up with a plan to waste potash through oil and gas drilling without opposition by securing potassium leases on land on which they already had oil and gas leases. Neither company had any experience in the potash industry, no expertise to mine the resource and no intention of actually mining it. Instead, they recognized that if they held both the oil and gas and potassium leases they could waste the potash and there would be no potash producer with standing to object. Yates and Pogo were the high bidder on the oil and gas leases bordering the north and the east edges of the Waste Isolation Pilot Project (the "WIPP"). See **Ex. I**. They then proceeded to make no effort whatsoever to develop the potash resources but, instead, undertook an aggressive drilling program along the east side of the WIPP and in the process wasted more than a billion dollars of potash.

Undeterred, Yates tried this tactic again in an October 2007 BLM potassium lease auction. In that auction, three potassium leases, NMNM-118969 (Section 6, T. 22S.,R. 31E.), NMNM-118970 (N ½, Section 7, T. 22S.,R. 31E.), and NMNM-118971 (S ½, T. 22S.,R. 31E.), were put up for sale. See **Ex. I.** These parcels lie at the northwest corner of the WIPP. The bidding on these leases was most curious. At the auction, Yates bid against Intrepid for first two leases and Mosaic did not bid on either of these leases. Intrepid was the high bidder on these leases. In the auction for the third lease, Mosaic bid against Intrepid but Yates did not bid. At the time, Intrepid thought it odd that Mosaic and Yates did not bid against each other. Facts only recently revealed indicate that there may have been an agreement between Mosaic and Yates relating to the bidding.

In May 1, 2010, the BLM approved an assignment from Yates Petroleum and OXY USA, Inc. (successor to Pogo Production Company) to Western Ag-Minerals Company (a Mosaic subsidiary) of the potassium leases Yates and Pogo obtained in 1992 bordering the WIPP. **Ex. J.** The underlying "Assignment of Potassium Leases" contains language reflecting that the assignment was undertaken pursuant to an "Agreement Incident to Assignment of Potassium Leases" between Yates and OXY USA, Inc. and Mosaic, dated June 29, 2007. This agreement, although expressly referenced in the Assignment, was not submitted to the BLM.

From these facts, it appears that just months before the October 2007 BLM potassium lease auction in which Mosaic and Yates both bid against Intrepid but not against each other there was an agreement about an later assignment of Yates and OXY's potassium leases to Mosaic. All of this may explain exactly why Mosaic and Yates did not bid against each other in the October 2007 auction and calls into serious question whether the federal government was the victim of a big rigging agreement between Mosaic and Yates in *per se* violation of Section 1 of the Sherman Act.

We respectfully encourage the BLM promptly to obtain from Mosaic and Yates a copy of their June 29, 2007 agreement and investigate whether Mosaic and Yates have in the past or are presently working illegally in concert with regard to bidding on federal potassium leases.

In response to the colossal waste of federal potash resources in 1992, the BLM subsequently added diligence stipulations to the federal potassium leases to cause the lessee to take concrete, verifiable and financially significant actions towards developing the potash resources on the leases on a reasonable and fair time line. So, for instance, when Intrepid acquired potassium leases in a lease auction in October 2007, those leases had a diligence stipulation that provides that the lease will terminate unless:

> Within **three** years: (a) the lease is producing is paying quantities; (b) the lease is part of a "lease block" that is or has been producing in paying quantities; or (c) an approved mining plan is in place.
>
> Within **five** years: one of the previous three conditions is met and "diligent, substantial construction is being pursued towards completion of a production shaft."

Within **seven** years: unless condition (a) or (b) above has been fulfilled or a mine production shaft has been completed to the mining level.

Within **ten** years: unless condition (a) or (b) has been fulfilled.

See **Ex. K.**

We agree that the diligence stipulations in these leases are fair and appropriate and reasonably protect the BLM (and the taxpayers) from a repeat of Yates and Pogo's 1992 acquisition of potassium leases solely for the purpose of wasting the potash through oil and gas drilling. Potassium leases issued by the BLM since at least 2007 have all had this exact same diligence stipulation.

Given all of the above, we were shocked to learn just last week (since we met with you) from the Carlsbad Field Office that Yates Petroleum and OXY, USA, Inc. are attempting this same scheme again. On May 14, 2007, Intrepid applied for lease modifications and fringe leases to the east of its East Mine, an area that Intrepid proved through its core drilling program, discussed above in Section G, contains world class langbeinite resources. **Ex. G.** As discussed above in Section H, these lease applications have languished in the BLM's offices for more than three years. Although fringe leases and lease modifications, Intrepid was recently informed that the leases would nonetheless be put up by the BLM for competitive bid. Intrepid found this surprising given that the parcels are near its East Mine, from which the ore can be easily mined, and the nearest potash competitor, Mosaic, has a mine that is more than 10 miles to the west with WIPP located in between Mosaic's mine and the lease tracts. After repeated inquiries to the Carlsbad Field Office, Intrepid was finally informed that the "competitors" who have asked for the leases to be sold at auction are none other than Yates Petroleum and OXY, USA, companies with no potash experience, expertise, or operations. In the immortal words of Yogi Berra, it is "déjà vu all over again."

To make matters worse and, amazingly, given the historical precedence for this type of waste of public resources, Carlsbad Field Office personnel have just informed Intrepid that a particular Interior Department minerals attorney in Albuquerque has instructed that the diligence stipulations for these potassium leases to be competitively offered should be modified to **make them less stringent.** There is absolutely no policy rationale for such an action and, if true, would certainly result in additional, and entirely avoidable, waste of America's potash.

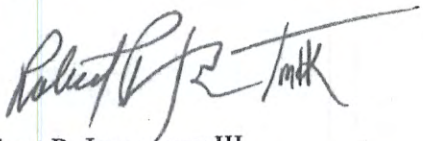
Specifically, Intrepid was told by the BLM employee that this Interior Department attorney has instructed that the stipulations be revised to remove the 5 year and 7 year mine shaft construction requirements with a mere requirement for initiation of an EA or EIS process for mine construction. We are informed that this attorney is also urging the Carlsbad Field Office to hold the auction for these potassium leases as soon as possible and no later than October 2010. We have no reason to question the veracity of these statements shared with us by a BLM New Mexico employee. **This is a dire situation that warrants your immediate attention and intervention.**

With all of this background and overhang, the competitive leasing of these potassium leases east of Intrepid's East Mine should be put on hold while this matter can be thoroughly investigated and steps taken to prevent an oil/gas producer from obtaining potassium leases under false pretenses only to waste the potash by aggressively drilling for oil and gas on the leases. In this regard, we note the 2009 investigation by the Office of the Inspector General of the Department of the Interior into bidding on oil and gas leases in Utah by an individual who had no intention of paying for the leases or developing them but had ulterior motives. That party is now facing federal criminal charges.

We truly appreciate your meeting with us and discussing these important matters. We strongly believe these issues warrant your personal involvement and your leadership. There is nothing short of the repeated waste of billions of dollars of finite public resources at issue.

Should you need any additional information and or want to meet to discuss these matters, please let me know. We are always happy to meet with you or your staff to answer any questions you may have about any of these matters.

Very truly yours,



Robert P. Jornayvaz III
Executive Chairman of the Board of Directors

Enclosures
cc: Honorable Harry M. Reid, United States Senator, Senate Majority Leader
(Via Hand- Delivery)
Honorable Jeff Bingaman, United States Senator (*Via Hand-Delivery)*
Honorable Ken Salazar, Secretary, U.S. Department of the Interior
(Via UPS Overnight Delivery)
Honorable David J. Hayes, Deputy Secretary, U.S. Department of the Interior
(Via UPS Overnight Delivery)
Honorable Hilary Chandler Tompkins, Solicitor, U.S. Department of the Interior
(Via UPS Overnight Delivery)
Honorable Ned Farquhar, Deputy Assistant Secretary, Land and Minerals Management, U.S. Department of the Interior (*Via UPS Overnight Delivery)*

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Exhibit A

United States Senate

WASHINGTON, DC 20510

December 8, 2009

The Honorable Ken Salazar
Secretary
US Department of the Interior
Washington, DC 20240

Dear Mr. Secretary:

We write to express our growing concern over an issue of great consequence to the production of food and other agriculture products, namely threats to the continued production of U.S. potash reserves. As you may be aware, potash is one of eight essential nutrients required to sustain human and plant life, and is a primary component of the agriculture fertilizer necessary to grow crops. And, with only three known significant potash deposits in the U.S., and only 25 commercial deposits in the world, the Department of the Interior must ensure that this strategic national resource is protected.

The largest known potash reserve in the United States is found on federal land in New Mexico. This depletion of the useable reserve will have a lasting and significant impact on the food prices and food safety. We are already 85-percent dependent on foreign, imported potash. We can ill-afford to become 100-percent dependent on foreign potash sources for our food supply.

We encourage the Department of the Interior to prioritize the protection of potash and to protect the known potash reserves. We look forward to your response.

Sincerely,

Michael F. Bennet
U.S. Senator

Saxby Chambliss
U.S. Senator

Blanche Lincoln
U.S. Senator

Thad Cochran
U.S. Senator

PRINTED ON RECYCLED PAPER

Exhibit B

INTREPID POTASH.

Intrepid Potash, Inc.
707 17th Street, Suite 4200
Denver, CO 80202
303.296.3006
303.298.7502 fax

July 16, 2010

Via Fax 575-392-7886 and Email

Larry R. Scott
Lynx Petroleum Consultants, Inc.
P.O. Box 1708
3325 Enterprise Drive
Hobbs, New Mexico 88241

Re: Eddy 'BD' No. 3
1980' FNL & 1980 FEL, Section 32, T-20S, R30E
Eddy County, New Mexico

Dear Mr. Scott:

We have considered your request, set forth in your April 16, 2010 letter, that Intrepid Potash – New Mexico LLC ("Intrepid") waive any objection to the drilling of the above-referenced well.

As we have previously indicated, the proposed well is within the Potash Area defined under Order No. R-111-P and within Intrepid's Life of Mine Reserve ("LMR") as submitted to the New Mexico State Land Office under that order. The proposed well is also located on an Intrepid state potash leasehold. Further, the well location is in an area that contains "measured ore" as determined by the BLM.

We understand that Lynx has reviewed Intrepid's HB Solar Solution Mine Project as described in the BLM's description of the project for purposes of the BLM's review through an Environmental Impact Statement. As we have previously offered and as I will offer here again, Intrepid would be happy to sit down with representatives from Lynx to discuss any questions they may have about this exciting project to develop the significant remaining potash resource in the HB mines through Intrepid's proven solution mining techniques and use of solar energy. We appreciate your indication that Lynx does not have any opposition to the project as presented to the BLM. We are glad that Lynx has recognized the tremendous job growth opportunities that this project brings to southeastern New Mexico.

As you know, Intrepid has the absolute right under Order No. R-111-P to withhold its consent to the drilling of your proposed well. However, because Intrepid has always been and continues to be interested in working in good faith with oil and gas producers, Intrepid will and hereby does waive any objection to the drilling of the referenced well. By its non-objection, Intrepid does not agree to or assume the risks of any release of oil or gas or other substance from the Eddy 'BD' No. 3 well into the environment, including into underground mine workings, arising out of or attributable to Lynx's drilling, operation, plugging and abandoning of the Eddy 'BD' No. 3 well.

Please keep in mind Intrepid's reasonable and good faith willingness to work with Lynx to enable the drilling of this well the next time you are in a group of oil and gas companies discussing Intrepid's continuing efforts to mine the nation's only strategic potash reserve to provide needed fertilizer to grow the crops to feed this country. We look forward to your continuing support for Intrepid's HB Solar Solution Mine Project and reiterate our offer to meet with you to discuss directly any issues you may have with the project.

Sincerely,

Intrepid Potash-New Mexico, LLC

Martin D. Litt, Executive Vice President and General Counsel

cc: Randy Dade, District Supervisor, NMED
Mark E. Fesmire P.E., Director, OCD

INTREPID POTASH.

Intrepid Potash, Inc.
707 17th Street, Suite 4200
Denver, CO 80202
303.296.3006
303.298.7502 fax

July 9, 2010

Via Fax 432-685-4170 and U.S. Mail

D. Paul Haden
Senior Landman
Mewbourne Oil Company
500 W. Texas, Suite 1020
Midland, Texas 79701

Re: MOC's Parkway "26" State Com No. 3H
2240' FNL & 330' FWL (SL)
2240' FNL & 330' FEL (BHL)
Section 26, T19S, R29E
Eddy County, New Mexico

Dear Mr. Haden:

We have considered your request, set forth in your April 13, 2010 letter, that Intrepid Potash – New Mexico LLC ("Intrepid") waive any objection to the drilling of the above-referenced well.

As we have previously indicated, the proposed well is within the Potash Area defined under Order No. R-111-P and within a ¼ mile buffer of Intrepid's Life of Mine Reserve ("LMR") as submitted to the New Mexico State Land Office under that order.

Despite all of the foregoing, and recognizing that Intrepid has the absolute right under Order No. R-111-P to withhold its consent to the drilling of your proposed well, Intrepid will and hereby does waive any objection to the drilling of the well. By its non-objection, Intrepid does not agree to or assume the risks of any release of oil or gas or other substance from the Parkway "26" State Com No. 3H well into the environment, including into underground mine workings, arising out of or attributable to Mewbourne's drilling, operation, plugging and abandoning of the Parkway "26" State Com No. 3H well.

Please keep in mind Intrepid's reasonable and good faith willingness to work with Mewbourne to enable the drilling of this well the next time you are in a group of oil and gas companies inclined to denigrate and frustrate Intrepid's continuing efforts to mine the nation's only strategic potash reserve to provide needed fertilizer to grow the crops to feed this country.

Sincerely,

Intrepid Potash-New Mexico, LLC

Martin D. Litt, Executive Vice President and General Counsel

cc: Randy Dade, District Supervisor, NMED
Mark E. Fesmire P.E., Director, OCD

INTREPID POTASH

Intrepid Potash, Inc.
707 17th Street, Suite 4200
Denver, CO 80202
303.296.3006
303.296.7502 fax

Via Email and U.S. Mail

March 26, 2010

Zeno Farris
Manager Operations Administration
Permian Basin Region
Cimarex Energy Co.
600 N. Marienfeld St.
Suite 600
Midland, Texas 79701

Re: State 14 Com #3H Well
Section 14, T19S-R29E
Eddy County, New Mexico

Dear Mr. Farris:

Thank you for your letter to Bob Jornayvaz of March 25, 2010, in which you expressed Cimarex's non-objection and support for Intrepid's HB Solar Solution Mine Project (the "Project"). We believe this project, which uses a non-potable water source and solar energy to produce an otherwise stranded potash resource, will be a positive development for both the potash and oil and gas industries in southeastern New Mexico and will bring much-needed high wage jobs to the area. We look forward to receiving final approvals from state and federal agencies to move forward with the Project.

We appreciate Cimarex's consultation with Intrepid about this proposed well as required by Order R-111-P. Despite the location of the well within ½ mile of Intrepid's life of mine reserves under R-111-P, Intrepid is willing to agree not to object to the drilling of the referenced well. Intrepid will continue to review APDs in this area on a case-by-case basis and will work in good faith with Cimarex to identify non-objectionable drilling locations.

By its non-objection, Intrepid does not agree to or assume the risks of any release of oil or gas or other substance from this well into the environment, including into underground mine workings, arising out of or attributable to Cimarex's drilling, operation, plugging and abandoning of this well, or of the effect on this well of any condition created by existing or future potash mining.

Very truly yours,

Martin D. Litt
Executive Vice President and General Counsel

Intrepid Potash, Inc.
707 17th Street, Suite 1200
Denver, CO 80202
303 296 3006
303 296 7902 fax

INTREPID

November 30, 2009

Via First Class Mail and Facsimile

D. Paul Haden
Senior Landman
Mewbourne Oil Company
500 W. Texas, Suite 1020
Midland, Texas 79701

Re: MOC's Parkway "26" State #2H
660' FNL & 330' FWL (SL)
660' FNL & 330' FEL (BHL)
Section 26, T19S, R29E
Eddy County, New Mexico

Dear Mr. Haden:

I am writing in response to your letter of November 11, 2009.

In your letter, you advise that Mewbourne Oil Company is proposing to drill the captioned well at the referenced surface location (SL) to the reference bottom hole location (BHL). You request that Intrepid Potash, Inc. grant Mewbourne a waiver of objection to the drilling of this well.

The proposed well site location is within Intrepid's life of mine reserve under New Mexico Oil Conservation Division Order R-111-P and is less than one mile from Intrepid's open mine workings. Notwithstanding the foregoing, and based on our review of this matter, Intrepid is willing to agree not to object to the drilling of the referenced well.

By its non-objection, Intrepid does not agree to or assume the risks of any release of oil or gas or other substance from the referenced well into the environment, including into underground mine workings, that arises out of or is attributable to Mewbourne's drilling, operation, plugging and abandoning of the well, or the effect on the well of any condition created by existing or future potash mining.

Please contact me should you have any questions.

Very truly yours,

Martin D. Litt
Executive Vice President and General Counsel

Intrepid Potash, Inc.
700 17th Street, Suite 1700
Denver, CO 80202
303.296.3006
303.296.7602 fax

March 27, 2009

Ed Birdshead
Chesapeake Energy Corporation
6100 North Western Avenue
Oklahoma City, OK 73118

Dear Mr. Birdshead:

I am responding to your letter of March 10, 2009, addressed to Tom McGuire, Intrepid Potash – NM, L.L.C.

Intrepid agrees not to object to the drilling of the wells referenced in your letter: Lost Tank 16 State #2 and Lost Tank 16 State #3. By its non-objection, Intrepid does not agree to and does not assume the risks of any release of oil and gas or other substances from this well into the environment, including into underground mine workings, arising out of or attributable to Chesapeake's drilling, operating, plugging and abandoning of this well, or the effect on this well of any condition created by existing or future potash mining.

Very truly yours,

Martin D. Litt

MDL:mlk

cc: Tom McGuire
Katie Keller

Exhibit C

NON-PROTESTED NOS/APD's WITHIN POTASH AREA - JULY 1, 2009 THROUGH JULY 26, 2010

APD Post Date	Operator	Well Name and Number	Location
7/6/2009	Yates Petroleum Corp.	10-Lusk AHB Federal	T19S-R32E, Sec 35, 330 FNL, 330 FWL
7/10/2009	RKI Exploration & Production	11-Longview 6 Federal	T23S-R29E, Sec 6, 330 FNL,660 FWL
7/10/2009	RKI Exploration & Production	14-Longview Federal 1	T23S-R28E, Sec 1, 330 FNL, 990 FEL
7/20/2009	Oxy USA Inc	1H-Goodnight 26 Federal	T23S-R29E, Sec 26, 500 FSL, 400 FWL
7/22/2009	Marbob Energ y Corp	2-Seabiscuit	T24S-R31E, Sec 12, 330 FSL, 2260 FWL
7/22/2009	Marbob Energy Corp	1 Seabiscuit Federal Com	T24S-R31E, Sec 12, 330 FSL, 380 FWL
8/5/2009	Chi Operating Inc	14-Munchkin Federal	T19S-R30E, Sec 12, 480 FNL, 370 FWL
8/6/2009	Devon Energy Production Company	6-NorthPure Gold 9 Federal	T23S-R31E, Sec 9, 990 FNL, 2100 FWL
8/14/2009	Devon Energy Production Company	6H-Laguna Salado 22 Federal	T23S-R29E, Sec 22, 1172 FNL, 2510 FWL
8/14/2009	Yates Petroleum Corp.	1H-Petrogulf BJT Federal	T24S-R31E, Sec 14, 660 FSL, 330 FEL
8/14/2009	Yates Petroleum Corp.	2H-Petrogulf BJT Federal	T24S-R31E, Sec 14, 1980 FSL, 330 FEL
8/18/2009	Yates Petroleum Corp.	1H-Culebra BLV Federal	T23S-R29E, Sec 1, 660 FNL, 330 FWL
8/19/2009	Chi Operating Inc	19-Munchkin Federal	T19S-R30E, Sec 11, 2300 FNL, 400 FEL
8/24/2009	Chi Operating Inc	21-Munchkin Federal	T19S-R30E, Sec 12, 1050 FNL, 1150 FWL
8/27/2009	Chi Operating Inc	20-Munchkin Federal	T19S-R30E, Sec 12, 1400 FNL, 350 FWL
8/31/209	Marbob Energy Corp	2-Hawg Federal	19S-R34E, Sec 25, 330 FNL, 330 FWL
9/1/2009	OGX Resources LLC	1-Triste 5 Federal	T24S-R32E, Sec 5, 1980 FNL, 660 FWL
9/21/2009	Marbob Energy Corp	1-Wish Federal	T20S-R33E, Sec 27, 1980 FNL, 1650 FEL
9/21/2009	Devon Energy Production Company	15-Barclay 11 O Federal	T23S-R31E, Sec 11, 660 FSL, 1980 FEL
9/22/2009	Devon Energy Production Company	13-Barclay 11 M Federal	T23S-R31E, Sec 11, 660 FSL, 660 FWL
9/25/2009	Devon Energy Production Company	1-Blakemore Estate Federal	T23S-R29E, Sec 28, 1779 FSL, 1976 FEL
9/30/2009	Devon Energy Production Company	8-Todd 15H Federal	T23S-R31E, Sec 15, 1650 FNL, 660 FEL
10/1/2009	Devon Energy Production Company	3H-Cotton Draw 26 Federal	T24S-R31E, Sec 26, 330 FNL, 1980 FWL
11/10/2009	RKI Exploration & Production	31-Longview 31 Federal	T22S-R29E, Sec 31, 1980 FSL, 990 FWL
11/10/2009	RKI Exploration & Production	42-Longview 31 Federal	T22S-R29E, Sec 31, 990 FSL, 1650 FWL
11/12/2009	RKI Exploration & Production	41 Longview Federal 6	T23S-R29E, Sec 6, 1140 FSL, 840 FWL
11/16/2009	Devon Energy Production Company	5H- Black Jack 1 Fed	T24S-R30E, Sec 1, 330 FNL, 500 FWL
11/19/2009	Devon Energy Production Company	18-North Pure Gold 9 Fed	T23S-R31E, Sec 9, 660 FSL, 1310 FEL
12/19/2009	Cimarex Energy Co	15-Southern California 29 Federal	T19S-R32E, Sec 29, 375 FSL, 330 FWL
11/19/2009	Cimarex Energy Co	1-Irwin 13 Federal	T19S-R30E, Sec 13, 1300 FSL, 330 FEL
11/19/2009	Cimarex Energy Co	2-Irwin 13 Federal	T19S-R30E, Sec 13, 180 FSL, 1075 FEL
11/19/2009	Cimarex Energy Co	4-Irwin 13 Federal	T19S-R30E, Sec 13, 990 FSL, 835 FEL
11/19/2009	Cimarex Energy Co	3-Irwin 13 Federal	T19S-R30E, Sec 13, 944 FSL, 855 FEL
11/19/2009	Devon Energy Production Company	18-North Pure Gold 9 Fed	T23S-R31E, Sec 9, 660 FSL, 1310 FEL

NON-PROTESTED NOS/APD's WITHIN POTASH AREA - JULY 1, 2009 THROUGH JULY 26, 2010

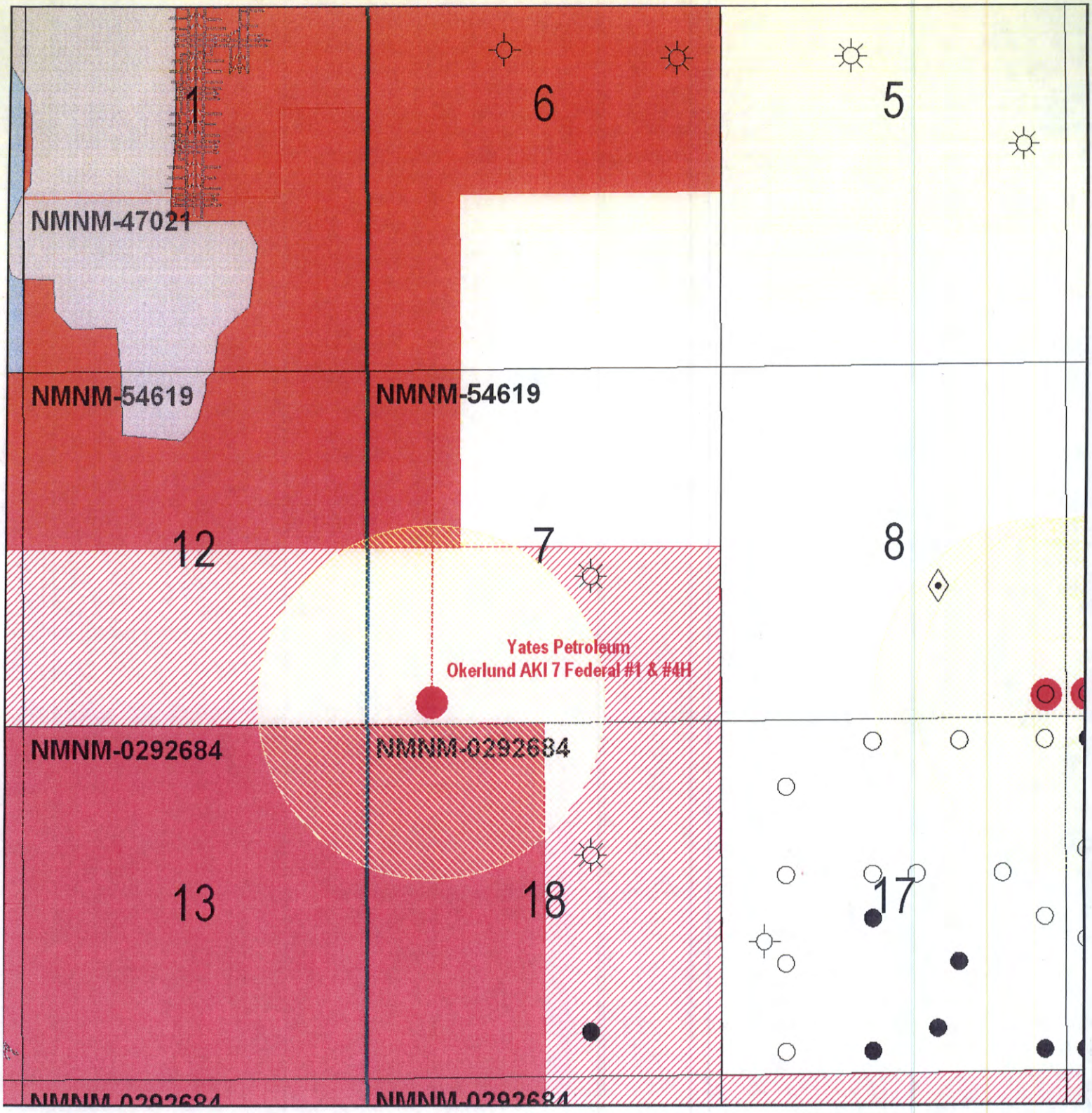
APD Post Date	Operator	Well Name and Number	Location
11/20/2009	Devon Energy Production Company	19-North Pure Gold 9 Federal	T23S-R31E, Sec 9, 710 FSL, 710 FWL
11/24/2009	Cimarex Energy Co	1-Crescent Half 1 Federal Com	T19S-R30E, Sec 1, 660 FNL, 330 FWL
11/24/2009	Cimarex Energy Co	2-Crescent Half 1 Federal Com	T19S, R30E, Sec 1, 1980 FNL, 220 FWL
11/24/2009	Cimarex Energy Co	3-Crescent Half 1 Federal Com	T19S-R30E, Sec 1, 1980 FSL, 330 FWL
11/24/2009	Cimarex Energy Co	4-Crescent Half 1 Federal	T19S-R30E, Sec 1, 660 FSL, 339 FWL
11/30/2009	Oxy USA Inc	1-Sundance SWD	T24S-R31E, Sec 4, 1633 FSL, 1059 FEL
12/3/2009	Yates Petroleum Corp.	10-Lily Aly Federal	T24S-R31E, Sec 3, 1650 FSL, 1650 FEL
12/3/2009	Yates Petroleum Corp.	13-Lily Aly Federal	T24S-R31E, Sec 3, 1650 FNL, 1650 FEL
12/3/2009	Yates Petroleum Corp.	12- Lily Aly Federal	T24S-R31E, Sec 3, 1650 FSL, 540 FEL
12/18/2009	Devon Energy Production Company	13-North Pure Gold 8 Federal	T23S-R31E, Sec 8, 660 FSL, 1530 FEL
12/21/2009	Yates Petroleum Corp.	9H- Lily Aly Federal	T24S-R31E, Sec 3, 330 FSL, 2000 FEL
12/24/2009	Yates Petroleum Corp.	11-Lily Aly Federal	T24S-R31E, Sec 3, 330 FSL, 500 FEL
1/12/2010	Laguna Grande LLC	2H-Laguna Grande Fed	T23S-R29E, Sec 28, 350 FNL, 350 FEL
1/22/2010	Cimarex Energy Co	8-Benson 3 Fed Com	T19S-R30E, Sec 3, 375 FNL, 375 FEL
1/20/2010	Cimarex Energy Co	1-Elliott 7 Fed Com	T19S, R31E, Sec 7, 1250 FSL, 990 FWL
2/11/2010	Cimarex Energy Co	1-Irwin 23 14 Federal	T19S, R30E, Sec 23, 1300 FNL, 695 FEL
2/17/2010	Yates Petroleum Corp.	6-Belco AIA Federal	T20S-R32E, Sec 14, 1980 FSL, 1980 FEL
2/17/2010	Yates Petroleum Corp.	5-Belco AIA Federal	T20S-R32E, Sec 14, 1980 FSL, 1980 FEL
2/17/2010	Yates Petroleum Corp.	3-Wolf AJA Federal	T21S-R31E, Sec 24, 660 FSL, 330 FEL
2/17/2010	Yates Petroleum Corp.	11-Wolf AJA Federal	T21S-R31E, Sec 24, 660 FSL, 330 FEL
2/17/2010	Yates Petroleum Corp.	3H-Kera AKR State Com	T21S-R31E, Sec 24, 660 FSL, 330 FEL
2/17/2010	Yates Petroleum Corp.	13H-Wolf AJA Federal	T21S-R31E, Sec 24, 660 FSL, 330 FEL
2/17/2010	Yates Petroleum Corp.	2-Wolf AJA Federal	T21S-R31E, Sec 25, 1980 FSL, 330 FEL
2/17/2010	Yates Petroleum Corp.	8-Wolf AJA Federal	T21S-R31E, Sec 25, 1980 FSL, 330 FEL
2/17/2010	Yates Petroleum Corp.	14-Wolf AJA Federal	T21S-R31E, Sec 25, 1980 FNL,330 FEL
2/17/2010	Yates Petroleum Corp.	15-Wolf AJA Federal	T21S-R31E, Sec 25, 1980' FNL, 33 FEL
2/17/2010	Yates Petroleum Corp.	17H-Wolf AJA Federal	T21S-R31E, Sec 25, 1980 FNL, 330 FEL
2/17/2010	Yates Petroleum Corp.	18H-Wolf AJA Federal	T21S-R31E, Sec 25, 1980 FNL, 330 FEL
2/17/2010	Yates Petroleum Corp.	19H-Wolf AJA Federal	T21S-R31E, Sec 25, 1980 FSL, 330 FEL
2/17/2010	Yates Petroleum Corp.	20H-Wolf AJA Federal	T21S-R31E, Sec 25, 1980 FSL, 330 FEL
2/17/2010	Yates Petroleum Corp.	1H-Nancy ALH Fed Com	T21S-R31E, Sec 24, 660 FSL, 330 FEL
2/19/2010	Mewbourne Oil Co.	1-Bradley 28 Federal Com	T18S-R30E, Sec 28, 990 FSL, 660 FWL
3/11/2010	Read & Stevens Inc.	2-Lauri D Federal	T20S-R34E, Sec 15, 660 FNL, 660 FEL
3/10/2020	RKI Exploration & Production	17-Longview 6 Federal	T23S-R29E, Sec 6, 1980 FNL, 10 FWL
3/22/2010	Devon Energy Production Company	8-Mesa Verde 7 Federal	T24S-R32E, Sec 7, 660 FSL, 660 FWL

NON-PROTESTED NOS/APD's WITHIN POTASH AREA - JULY 1, 2009 THROUGH JULY 26, 2010

APD Post Date	Operator	Well Name and Number	Location
3/22/2010	Devon Energy Production Company	5-Mesa Verde 7 Federal	T24S-R32E, Sec 7, 1980 FNL, 660 FWL
3/22/2010	Devon Energy Production Company	6-Mesa Verde 7 Federal	T24S-R32E, Sec 7, 1980 FSL, 660 FWL
3/24/2010	BOPCO LP	120H-James Ranch Unit	T23S-R31E, Sec 8, 290 FSL, 1990 FEL
3/24/2020	BOPCO LP	111H-James Ranch Unit	T23S-R31E, Sec 8, 2000 FSL, 1750 FEL
3/24/2010	BOPCO LP	119H-James Ranch Unit	T23S-R31E, Sec 8, 1640 FSL, 1830 FEL
3/24/2010	BOPCO LP	114H-James Ranch Unit	T23S-R31E, Sec 6, 270 FNL, 710 FEL
3/25/2010	BOPCO LP	110H-James Ranch Unit	T23S-R29E, Sec 1, 2235 FSL, 530 FEL
3/25/2010	Chi Operating Inc	15-Munchkin Federal	T19S-R30E, Sec 1, 150 FSL, 1550 FWL
3/25/2010	Chi Operating Inc	4-Wizard Federal	T19S-R30E, Sec 1, 1550 FSL, 2200 FEL
3/29/2010	BOPCO LP	109H James Ranch Unit	T23S-R30E, Sec 1, 2310 FSL, 530 FEL
3/29/2010	BOPCO LP	121H-James Ranch Unit	T23S-R31E, Sec 17, 2450 FNL, 1500 FWL
3/31/2010	BOPCO LP	124H-James Ranch Unit	T23S-R31E, Sec 17, 2450 FNL, 1430 FWL
4/19/2010	Devon Energy Production Company	14H-North Pure Gold 8 Federal	T23S-R31E, Sec 8, 150 FSL, 1700 FEL
4/15/2010	Nadel & Gussman Heyco LLC	2H-Bottom Dollar 29 Federal	T19S-R31E, Sec 29, 400 FSL, 2265 FEL
4/15/2010	Nadel & Gussman Heyco LLC	1H-Bottom Dollar 29 Federal	T19S-R31E, Sec 29, 330 FSL, 900 FEL
4/20/2010	Chi Operating Inc	6-Wizard Federal	T19S-R30E, Sec 1, 10 FNL, 2310 FEL
4/20/2010	Mewbourne Oil Co.	2H-Bradley 28 Fed Com	T18S-R30E, Sec 28, 1780 FNL, 330 FWL
4/20/2010	Mewbourne Oil Co.	2H Bradley 29 Fed Com	T18S-R30E, Sec 29, 2260 FSL, 150 FWL
4/20/2010	Mewbourne Oil Co.	3H-Bradley 29 Fed Com	T18S-R30E, Sec 29, 1650 FNL, 150 FWL
4/20/2010	Mewbourne Oil Co.	4H-Bradley 29 Fed Com	T18S-R30E, Sec 29, 400 FNL, 150 FWL
4/22/2010	Oxy USA Inc	15-Pure Gold B Federal	T23S-R31E, Sec 20, 1979 FSL, 986 FWL
4/22/2010	Oxy USA Inc	16-Pure Gold B Federal	T23S-R31E, Sec 20, 1930 FNL, 990 FWL
4/22/2010	Oxy USA Inc	13-Pure Gold B Federal	T23S-R31E, Sec 20, 659 FSL, 985 FWL
5/5/2010	Nadel & Gussman Heyco LLC	5-Bola 7 Federal	T18S-R32E, Sec 7, 360 FNL, 330 FWL
5/6/2010	Marbob Energy Corp	4H- Lizard Pot State Com	T19S-R31E, Sec 36, 990 FSL, 660 FEL
5/11/2010	Oxy USA Inc	25 Lots Tank 3 Federal	T22S-R31E, Sec 3, 1611 FNL, 788 FEL
5/11/2010	Oxy USA Inc	32 Sundance 4 Federal	T24S-R31E, Sec 4, 1973 FSL, 860 FEL
5/18/2010	Cimarex Energy Co	1-East Lusk 15 Fed Como	T19S-R32E, Sec 15, 660 FSL, 330 FEL
5/19/010	Cimarex Energy Co	2-Burton 6 Federal	T20S-R30E, Sec 6, 375 FNL, 1500 FWL
5/19/2101	Cimarex Energy Co	1-Burton 6 Federal	T20S-R30E, Sec 6, 150 FNL, 660 FWL
5/18/2010	Cimarex Energy Co	1-Lynch 23 Federal Com	T20S-R34E, Sec 23, 375 FSL, 1980 FEL
5/21/2010	Shackelford Oil Company	1-Hackberry Federal	T19S-R30E, Sec 25, 1980 FNL, 1980 FEL
5/24/2010	Read & Stevens Inc.	12-North Lea Federal	T20S-R34E, Sec 10, 1330 FWL, 1650 FNL
5/28/2010	Chi Operating Inc	22-Munchkin Federal	T19S-R30E, Sec 12, 750 FNL, 1805 FWL
6/2/2010	Marbob Energy Corp	2H-Dirty Dozen State com	T19S, R31E, Sec 36, 1980 FNL, 660 FEL

NON-PROTESTED NOS/APD's WITHIN POTASH AREA - JULY 1, 2009 THROUGH JULY 26, 2010			
APD Post Date	**Operator**	**Well Name and Number**	**Location**
6/2/2010	Marbob Energy Corp	1H-Dirty Dozen State Com	T19S-R31E, Sec 36, 700 FNL, 600 FEL
6/2/2010	Marbob Energy Corp	3H- Dirty Dozen State Com	T19S-R31E, Sec 36, 2000 FSL, 600 FEL
6/17/2010	Strata Production Co	2-Sandy Federal	T23S-R30E, Sec 24, 1980 FNL, 560 FWL
6/17/2010	Strata Production Co	14-Forty Niner Ridge Unit	T23S-R30E, Sec 10, 330 FSL, 2430 FWL
6/17/2010	Strata Production Co	13-Forty Niner Ridge Unit	T23S-R30E, Sec 10, 330 FSL, 2530 FWL
6/17/2010	Strata Production Co	12-Forth Niner Ridge Unit	T23S-R30E, Sec 21, 330 FNL, 550 FWL
6/17/2010	Cimarex Energy Co	2-Crescent Hale 1 Fed Com	T19S-R30E, Sec 1, 330 FNL, 2310 FWL
6/17/2010	Cimarex Energy Co	1-Crescent 11 Federal	T19S-R30E, Sec 11, 345 FNL, 375 FEL
6/18/2010	Marshall & Winston Inc	1-Laguna Deep Unit Federal 35	T19S-R33E, Sec 35, 2310 FSL, 330 FEL
6/17/2010	Marbob Energy Corp	4H-Dirty Dozen State Com	T19S-R31E, Sec 36, 1650 FSL, 660 FEL
6/21/2010	Marbob Energy Corp	3H-Lizard Pot State Com	T19S-R31E, Sec 36, 1650 FSL, 2310 FEL
6/28/2010	XTO Energy Inc	49H-Nash Unit	T23S-R29E, Sec 13, 614 FNL, 427 FEL
6/28/2010	XTO Energy Inc	51H-Nash Unit	T23S-R30E, Sec 18, 660 FSL, 20 FWL

Exhibit D



Life of Mine Reserves

Life of Mine Reserves 2006

LMR Half-Mile Buffer

LMR Quarter-Mile Buffer

Proposed Location

One Half Mile LMR Buffer

Federal Potash Lease

State Potash Lease

Applied For Federal Potash Lease

Intrepid Potash, Inc.

Potash Area
Eddy County, New Mexico
Yates Petroleum – Okerlund AKI 7 Federal #1 & #4H
330 FSL 990 FWL Section 7, T21S-R32E

APD Yates Okerlund AKI.gmp	March 3, 2010	

Exhibit E

United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Carlsbad Field Office
620 E. Greene St.
Carlsbad, New Mexico 88220-6292
www.blm.gov/nm

TAKE PRIDE IN AMERICA

JAN 6 2009

In Reply Refer To:
3506/2920 (520)
NMNM 120817

NOTICE

Intrepid Potash NM, LLC
700 17th Street, Suite 1700
Denver, CO 80202

Potassium

Bond Accepted
Exploration License Issued

On June 23, 2008, Intrepid Potash NM, LLC (Intrepid) filed a potassium exploration license application; serial number NMNM 120817 was assigned to the application.

The license, approved effective January 7, 2009, is enclosed.

A personal cash bond in the amount of $50,000, with Intrepid Potash- New Mexico, LLC as Obligor, is accepted effective January 7, 2009.

If there are questions concerning this matter, please contact Nellie Hernandez at 575-234-5969 or Craig Cranston at 575-234-5936.

Sincerely,

James Stovall
Field Manager

1 Enclosure

Serial Number: NMNM 120817
Issue Date: 01-07-09
Expiration Date: 01-07-11

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
POTASSIUM EXPLORATION LICENSE

This license, entered into on JAN 07 2009, by the United States of America, the licensor, through the Bureau of Land Management (BLM), and

Intrepid Potash NM, LLC
700 17th Street, Suite 1700
Denver, Colorado 80202

the licensee, is hereby issued under the authority of Section 302(b) of the Federal Land Policy and Management Act of 1976 (43 U.S.C. 1732(b)) and is subject to all applicable Federal, state and local laws and regulations, including Title 43 CFR Part 3506 and Title 43 CFR Part 3590.

Multiple-Use Development, LLC, has elected to participate in the exploration program with Intrepid Potash NM, LLC, licensee, on a pro-rata cost-sharing basis.

The method to be used for core hole sample analysis will be X-Ray Diffraction (XRD); on a pro-rata cost-sharing basis. XRD is able to analyze core hole samples and report results as weight percent of minerals. This method can analyze any type of sample that has a crystal structure. However, if wet chemical analysis is preferred by the participant, an analytical lab, approved by the BLM, shall be used. If both testing methods are elected, then the licensee and the participant will separately conduct their own core hole sample analysis, with each bearing the cost of their analysis. Results from each analysis method used will be submitted to the BLM.

Sec. 1. RIGHTS UNDER LICENSE – This license confers the right to perform exploration operations in accordance with the terms and conditions of this license, the approved exploration plan, and applicable regulations in the following described lands situated in the State of New Mexico:

T. 21 S., R. 32 E., N.M.P.M., New Mexico
Secs. 01 through 05: All;
Sec. 06: E/2SW/4, SE/4;
Sec. 07: Lots 3, 4, E/2W/2, E/2;
Secs. 08 through 15: All;
Sec. 17: All;
Sec. 18: E/2;
Sec. 19: E/2;
Secs. 20 through 31: All;
Sec. 33: All;
Sec. 34: W/2, NE/4, N/2SE/4, SW/4SE/4;
Sec. 35: N/2;
Sec. 36: All.

Contains approximately 22,000.00 acres, Lea County, NM.

The license is for a period of two (2) years and shall confer no right to lease. The license shall not be subject to renewal and will automatically terminate at the expiration date.

The issuance of this license shall not preclude the issuance of a potassium lease at such time and to such persons as are deemed appropriate by the BLM State Director or his/her delegated representative, hereafter called the "Authorized Officer." If a potassium lease is issued, the lands embraced in such lease shall be eliminated from the license upon the date of issuance of such lease. A licensee may not remove for sale any potassium from the deposits subject to his license, but he may remove a reasonable amount of potassium for analysis and study.

Sec. 2. EXPLORATION – The licensee shall diligently explore the lands by drilling, excavating, or by geophysical or geochemical surveying or other acceptable methods. The licensee is entitled to use for exploratory purposes so much of the surface of the licensed lands as is reasonably necessary for such operations in accordance with the approved exploration plan which is attached to and made a part of this license.

Sec. 3. BOND – The licensee shall file with the appropriate Bureau of Land Management office a bond in the amount of $50,000 to ensure compliance with the terms of the license, the exploration plan, the regulations, and the Act. An increase in the bond may be required by the licensor at any time during the life of the license to reflect changed conditions.

Sec. 4. OPERATIONS – Operations may begin at any time after issue date of this license; however, before conducting any operations, licensee must notify the Field Manager, Bureau of Land Management, Carlsbad Field Office.

(a) Licensee shall comply with all regulations of the Secretary of the Interior.

(b) Licensee shall comply with the provisions of the operating regulations (43 CFR Part 3590) and all orders issued pursuant thereto. Copies of the operating regulations may be obtained from the Bureau of Land Management.

(c) Licensee shall allow inspection of the premises and operations by duly authorized representatives of the Department of the Interior, and shall provide for the free ingress or egress of Government officers and for users of the lands under authority of the United States.

Sec. 5. MULTIPLE USE –

(a) Valid existing rights acquired prior hereto on the lands described herein will not be adversely affected hereby.

(b) The granting of this license will not preclude the issuance of other licenses, permits, or leases, or other development of the same lands.

(c) Operations hereunder shall not unreasonably interfere with or endanger operations under any other authorized use pursuant to the provisions of any other act.

(d) The Government reserves the right to sell or otherwise dispose of the surface of the Federal lands under existing law or laws hereafter enacted, insofar as such disposal will not materially interfere with the rights of the licensee.

(e) The licensee shall permit access to all facilities for inspection of the exploration work on behalf of the Secretary of the Interior and to make a report, on demand, of all matters pertaining to the character, progress, and results of such work.

(f) The licensee shall observe such conditions as to the use and occupancy of the surface of the lands as provided by law, in case any of said lands shall have been or may be entered or patented with a reservation of mineral deposits to the United States.

Sec. 6. PROTECTION OF SURFACE, NATURAL RESOURCES, AND IMPROVEMENTS –

(a) The licensee agrees to take such reasonable steps as may be needed or as required by the Authorized Officer to prevent operations on the licensed land from unnecessarily:

(i) causing or contributing to soil erosion or damaging crops, forage, and timber growth thereon, or on Federal or non-Federal lands in the vicinity;

(ii) polluting air and water;

(iii) damaging improvements owned by the United States or other parties. Upon any partial or total relinquishment or the cancellation or expiration of this license, or at any other time prior thereto when required and to the extent deemed necessary by the licensor to fill any pits, ditches and other excavations, remove or cover all debris, and so far as reasonably possible, restore the surface of the licensed lands and access roads to their former condition, including the removal of structures as, and if, required. The licensor may prescribe the steps to be taken and restoration to be made with respect to the licensed lands and improvements thereon whether or not owned by the United States.

(b) The licensee further agrees that when conditions warrant, such as high fire danger, inclement weather or flash flooding, operations under this license may be temporarily suspended by the Authorized Officer.

Sec. 7. RELINQUISHMENT OF LICENSE – The licensee may relinquish this license, in whole or part, by filing in the proper BLM office a written relinquishment which shall be effective as of the date it is filed, subject to the continued obligation of licensee and his surety to comply with the terms and conditions and special stipulations of the license, the exploration plan, and the regulations.

Sec. 8. REVOCATION OF LICENSE – This license may be revoked for non-compliance with the terms and conditions of the license, the plan, or the regulations, after the licensee has been notified of such violation and the licensee has failed to correct the violation within the time specified by such notice.

Sec. 9. MODIFICATION OF LICENSE OR EXPLORATION PLAN – The terms and conditions of this license may, when unforeseen conditions warrant, be modified or adjusted by the Authorized Officer. The Authorized Officer may, when unforeseen conditions warrant, approve changes in the exploration plan. The licensee shall not perform any exploration except under an approved plan. The license shall not be modified to include new lands.

Sec. 10. EQUAL OPPORTUNITY CLAUSE – This license is subject to the provisions of Executive Order No. 11246 of September 24, 1965, as amended, which sets forth the non-discrimination clauses. A copy of this order may be obtained from the signing officer.

Sec. 11. CULTURAL RESOURCES –

(a) Prior to surface disturbing activities, the Authorized Officer may require a survey of all or part of the licensed land to provide an inventory of any historical, cultural, and archaeological values. The survey shall be conducted by a qualified professional archaeologist, approved by the Authorized Officer, and a report of the survey shall be submitted to the Authorized Officer. The exploration operations may be conditioned on the approval of the survey report and the approval of measures to protect the historical, cultural, and archaeological values.

The cost for any survey or measures to protect such values discovered as a result of the survey shall be borne by the licensee and items and features of historical, cultural, or archaeological value shall remain under the jurisdiction of the United States.

(b) If any items or features of historical, cultural, or archaeological value are discovered during exploration operations, the licensee shall immediately notify the Field Manager and shall not disturb such items or features until the Field Manager issues instructions. If the licensee is ordered to take measures to protect any items or features of historical, cultural, or archaeological value discovered during exploration operations, the cost of the measures shall be borne by the licensee and such items and features shall remain under the jurisdiction of the United States. The Government shall evaluate such discoveries and appropriate mitigating measures not later than ten (10) working days after notification.

Sec. 12. DATA SUBMITTAL AND CONFIDENTIALITY – The licensee shall furnish to the Field Manager, BLM, Carlsbad Field Office, copies of all maps, logs, analyses (including but not limited to geological, geophysical, and core drilling analyses), and any other data obtained during exploration. If geophysical logs are taken, gamma ray and density logs should be included. The licensee may be required to collect and report ground water data to the Authorized Officer. The confidentiality of all data submitted shall be maintained until after the areas involved have been leased or until such time as the Field Manager determines that making the data available to the public would not damage the competitive position of the licensee, whichever comes first.

Sec. 13. UNLAWFUL INTEREST – No Member of, or Delegate to, Congress, or Resident Commissioner, after his election or appointment, or either before or after he has qualified and during his continuance in office, and no officer, agent, or employee of the Department of the Interior, except as otherwise provided by law, shall be admitted to any share or part in this license or derive any benefit that may arise therefrom; and the provisions of Section 3741 of the Revised Statutes of the United States, as amended (41 U.S.C. Sec. 22), and Sections 431, 432, and 433, Title 18 U.S.C., relating to contracts, enter into and form a part of this license so far as the same may be applicable.

Sec. 14. SPECIAL STIPULATIONS –

1. *Special Stipulations for Improving, Reclamation, and Mitigation of Drill Pads and Access Roads for Core Holes Under Exploration License NMNM 120817*, 9 pages (attached).

2. Timing Limitation Stipulation – Lesser Prairie-Chicken:

Activities that produce noise or involve human activity will not be allowed between 3:00 a.m. and 9:00 a.m. in lesser prairie-chicken habitat during the period from March 15 through June 15 annually. Additionally, no new drilling will be allowed within 200 meters of leks known at the time of permitting. Normal vehicle use on existing roads will not be restricted. The proposed action will be allowed during the period from March 15 through June 15, provided that no personnel are on site between the hours of 3:00 a.m. and 9:00 a.m. Furthermore, no equipment (including mud pumps and generators) will be allowed to operate during these hours.

THE UNITED STATES OF AMERICA

By _____

FIELD MANAGER
Title

1/7/2009
Date

INTREPID POTASH NM, LLC

By _____

_____
Title

_____
Date

Exhibit F

INTREPID POTASH

Intrepid Potash, Inc.
707 17th Street, Suite 4200
Denver, CO 80202
303.296.3006
303.298.7502 fax

VIA OVERNIGHT DELIVERY

June 19, 2009

Mr. James Stovall, Field Manager
Mr. Craig Cranston, Mining Engineer
United States Bureau of Land Management
Carlsbad Field Office
620 E. Greene Street
Carlsbad, New Mexico 88220-6292

Dear Mr. Stovall and Mr. Cranston:

As you know, Intrepid Potash – New Mexico, LLC has submitted to BLM assay results for seven core holes (IP-013, IP-032, IP-033, IP-034, IP-035, IP-047, and IP-048) that Intrepid drilled in the vicinity of Yates Petroleum Corporation's proposed Caper wells in section 17 ("Section 17") of T. 21 S., R. 32 E., Lea County. Because these assays show valuable potash enclaves in Section 17 and adjoining land, we are writing to request that BLM immediately and thoroughly review the assay results and related data, promptly update its potash maps for Section 17 and adjacent lands to reflect such data, and desist from processing any and all notices of staking and APDs for wells in such area pending the completion of BLM's review. If BLM does not take these measures, it will make uninformed decisions on oil and gas drilling in this important area and will risk wasting millions of tons of mineable potash protected by the Secretary's 1986 Order. The reasons for these requests are more fully explained below.

Intrepid's Mapping Project to the East of the East Mine

As we have previously discussed with each of you, Intrepid has undertaken to assemble and analyze the geophysical log data in areas where Intrepid now mines or may mine in the future within the Potash Area. This is a large geologic mapping project designed to capture the data's immense value and to produce better ore maps. The project is focusing on several critical areas where Intrepid will expand its mining operations. BLM has informed Intrepid that, in many of these areas, it does not recognize the presence of potash enclaves because it believes there is insufficient core hole data or because the spacing of the data is not close enough. Consequently, BLM has permitted or is likely to permit oil and gas drilling in these critical areas. Through its mapping project, Intrepid aims to preserve these areas for mining by incorporating available geophysical log data with available core hole data to identify potash enclaves. This approach is more comprehensive and expeditious than drilling additional core holes, but it nevertheless involves analyzing vast amounts of data covering broad areas. Consequently, since this project began in 2005, Intrepid has moved this project forward incrementally.

One of the critical areas of focus in the Potash Area where Intrepid plans to extend its mining operations is to the area east of its East Mine. This area encompasses some 12,000 acres of land stretching several miles from Intrepid's current mining operations at the East Mine eastward to the boundary of Intrepid's Life of Mine Reserves. There is some core hole data in this new mining area. The area is depicted generally on the map enclosed with this letter as Attachment 1. For purposes of this letter, we will refer to this area as the "East Expansion Area."

In 2005, Intrepid began analyzing the geophysical log and core hole data in the East Expansion Area with the purpose of developing a new mining area accessible from the East Mine. As our analysis of the data has progressed over time, we have identified larger and larger portions of these lands as containing, at a minimum, a world-class langbeinite ore reserve in the 3rd ore zone. As you know, langbeinite is a rare and very valuable form of potash. The East Expansion Area is a significant new ore reserve and mining area.

Geophysical Log Analysis in the Section 17 Area

On June 9, 2006, we provided to BLM a potash ore reserve analysis of Section 17 and adjacent lands based upon the geophysical log and core hole data from those lands. The analysis included the raw data, ore maps, technical work, independent professional reports and supporting research papers. The data and analysis established the presence of large and valuable potash deposits in multiple ore zones exceeding BLM's minimum thickness and grade criteria for potash enclave. Specifically, the data confirmed that Section 17 and adjacent lands contain a world-class langbeinite deposit in the 3rd ore zone that extends westward toward and beneath the East Mine. This is the same langbeinite reserve that Intrepid had begun to map in other parts of the East Expansion Area.

The analysis we provided to BLM in June of 2006 included technical reports prepared by The Discovery Group, which is an independent, professional firm specializing in the interpretation of geophysical log data. We collaborated with The Discovery Group in 2006 and throughout 2007 to continue to refine the methods for mapping potash deposits in the Potash Area using gamma ray log data.

At the time Intrepid prepared the June 2006 analysis, the geophysical log data for the Caper wells Nos. 2-5, which Yates drilled in Section 17 in 2005 and 2006, were not available to us. We obtained these data early in 2008. We used these data and Intrepid's refined analytic methods to prepare an updated potash ore reserve analysis of the Section 17 area. On May 5, 2008, we delivered this analysis to BLM in a report entitled *Mapping of Potash Ore Deposits in the Yates Caper Field Area.* The additional data and refinements substantiated the conclusions of Intrepid's initial June 2006 analysis showing that valuable potash deposits exist in Section 17 and adjacent lands that meet BLM's minimum thickness and grade criteria for potash enclaves.

Intrepid and The Discovery Group have even further refined the methods for using gamma ray log data to quantify potassium-bearing ore in the Potash Area. The refined methods have an exceedingly high degree of scientific validity and represent approximately four years of research,

analysis and testing by Intrepid Geology Department and The Discovery Group to develop techniques that are usable in the Potash Area specifically. The two most recent reports of The Discovery Group documenting this work are enclosed with this letter as Attachments 2 and 3.

Using the refined methods established in the recent reports of The Discovery Group, we have performed a current potash ore reserve analysis of Section 17 and adjacent lands. In this analysis we have correlated the abundant geophysical log data from those lands and the abundant core hole data that now exist (see below). These additional data fully substantiate what the data showed in 2006: that there are large potash deposits in multiple ore zones in Section 17 and in adjacent lands; that these potash deposits exceed BLM's minimum thickness and grade criteria for potash enclave; and that these potash deposits exceed hundreds of millions of dollars in value. We have mapped this langbeinite ore body in Attachment 4 to this letter. On that ore map, the colored areas show langbeinite ore meeting or exceeding BLM's minimum thickness and grade criteria for potash enclave; the warmer the color, the higher the ore grade/thickness.

New Core Data Substantiates the Geophysical Log Analyses

It is not necessary to produce additional core hole data in Section 17 to satisfactorily identify the existence of potash enclaves there and in adjacent lands. Nevertheless, on September 12, 2006, Intrepid applied for an exploration license to drill a core hole in Section 17. Intrepid sought to drill this core hole to confirm what was already evident from our prior geophysical log analyses and to persuade BLM to protect the potash enclaves that exist there from the drilling of the Caper wells.

Through the end of 2006 and throughout 2007, Intrepid planned a large core drilling program in the East Expansion Area. Intrepid planned this drilling program to produce more detailed mining maps of the East Expansion Area in anticipation of acquiring potash leases and developing mine plans there. Intrepid also did this because it feared BLM would not protect the potash deposits there without additional core data.

On April 11, 2008, BLM issued exploration license NMNM 116924 to Intrepid authorizing core drilling in Section 17. Intrepid immediately drilled the IP-013 core hole in Section 17, and we provided the results to BLM in June of 2008. Shortly thereafter Intrepid prepared and provided a report entitled *Initial Summary of IP-013 Core Hole*, which discussed the results of the drilling operation. The IP-013 data confirmed the existence of the same world class langbeinite deposit in the 3rd ore zone that was identified by our prior analyses of the geophysical log data from these lands. The thickness/grade of this deposit exceeds BLM's minimum criteria for enclave by 2.7 times (not including the sylvite fraction).

On January 7, 2009, BLM issued exploration license NMNM 120817 to Intrepid authorizing its extensive core drilling program in the East Expansion Area. On February 18, 2009, Intrepid provided to BLM the assays of three core holes drilled pursuant to this program as well as one other core hole drilled on an existing Intrepid lease – IP-032, IP-033, IP-034 and IP-035. Those assays show significant langbeinite in the 3rd ore zone meeting BLM's minimum thickness and

grade criteria for potash enclave. All but one of these core holes showed potash meeting that criteria in other ore zones as well. In April and May of 2009, Intrepid drilled the IP-048 and IP-047 core holes in this area and the assay results of the 3rd ore zone were similar to the previously drilled core holes.

All of the core holes that Intrepid has drilled to date in the East Expansion Area were logged using a complete suite of modern logging tools, and Intrepid has had each potash zone assayed with X-ray diffraction analysis. We have provided all of this data to BLM as it has become available. Please see letter from Jim Lewis to BLM dated April 8, 2009 and two letters from Jim Lewis to BLM dated May 12, 2009 (the second of these two letters, which transmits the data for the IP-047 core hole, is misdated and was sent to BLM on June 2, 2009). For your convenience, we have enclosed with this letter a disk with all of this same data as well as some additional assay data assembled subsequently.

BLM insists upon at least three core holes no more than 1.5 miles apart to show potash enclave. Intrepid's core drilling in the East Expansion Area has generated sufficient core hole data to meet that criteria in much of that area. Specifically, using the data from the IP-013, IP-35, IP-047, IP-048, PM-16-1 and PCA-135 core holes, large portions of Section 17, 18, 19 and 20 can be designated as containing potash enclave in the 3rd and 10th ore zones, as depicted on Attachment 5 to this letter.

More importantly, the core drilling results discussed above verify Intrepid's prior analyses of the relevant geophysical log data in Section 17, which data have consistently predicted these results since 2006. The results show that no additional core data was necessary at the time BLM approved the Caper wells Nos. 6-16 to determine that Section 17 and adjacent lands contain potash deposits exceeding BLM's minimum thickness and grade criteria for potash enclaves. Our prior analyses of the geophysical log data in Section 17 already adequately identified these deposits.

BLM Needs to Review Intrepid's New Core Data as Soon as Possible

Intrepid is concerned that that, to our knowledge, BLM has not yet reviewed and incorporated into its decision-making the new core hole data that Intrepid has submitted to BLM. Until BLM completes this review, it should desist from processing notices of staking and APDs for wells in this area otherwise it risks wasting millions of tons of valuable potash ore protected by the 1986 Order.

* * * * *

Intrepid would be pleased to meet with BLM to discuss the results of its core hole drilling program, to answer questions, and to provide any additional information that BLM may require to consider these issues. Because time is of the essence, we can make ourselves available for such a meeting at your earliest convenience.

Very truly yours,

Martin D. Litt
Executive Vice President and General Counsel

James P. Lewis
Chief Geologist

cc: Linda Rundell (w/encl.)
Tony Herrell (w/encl.)
Don Peterson (w/encl.)
Jim Rutley (w/encl.)

Exhibit G

STATUS OF CARLSBAD FEDERAL LEASE APPLICATIONS
as of July 26, 2010

BLM Applications

Priority	Type	Lease No.	Legal Description	Mine Area	Acres	Date Submitted BLM
#1	Lease Mod	NMNM-54619	**T21S-R31E -Eddy Co** Section 11: E/2SW, SE Section 12: SW, SE **T21S-R32E - Lea Co** Section 7: Lots 3, 4, E/2SW, SE Section 18: NE, SE Section 19: NE section 20: N/2N/2	East Caper	1526	5/14/2007 7/11/07 amended legal description
#2	Lease Mod	NMNM-057287-01	**T21S-R32E - Lea Co** Section 20: SW, S/2NW, SWNE Section 29: All Section 30: All Section 31: Lot 1, 2, E/2NW, NE	East Caper	1901	5/14/2007
#3	Lease Mod	NMNM-0292684-01	**T21S-R32E - Lea Co** Section 19: SE	East Caper	160	5/14/2007 7/11/07 amended legal description
#4	Lease Mod	NMNM-06101	**T20S-R31E - Eddy** sec 35: S/2S/2	West	160	2/5/2010
#5	Lease Mod	NMNM-110949	**T21S-R31E - Eddy Co** Section 33: NW, W/2SW **T22S-R30E** Section 1: Lot 3 **T22S-R31E** Sec 4: lot 4 Section 5: Lots 1-4, S/2NE, S/2NW	East	639.9	4/11/2007
#6	Lease Mod	NMNM-07005	**T20S-R31E - Eddy Co** Sec 19: Lots 1-4, E/2W/2, SE Sec 30: Lots 1-4, E/2W/2, E/2 Sec 31: Lots 1, 2, E/2NW, NE	West	1437	2/5/2010
#7	Lease Mod	NMLC-061847-01	**T20S-R331E - Eddy Co** Sec 7: E/2E/2	West	160	2/5/2010
#8	Lease Mod	NMLC-065081-01	**T20S-R30E - Eddy Co** Sec 21: W/2SW	HB	80	2/5/2010
#9	Fringe NMNM-40071		**T20S-R31E - Eddy** Section 14: NW Section 15: N/2, SW, W/2SE Section 22: W/2, W/2E/2 Section 27: NW, W/2NE, N/2SW, NWSE	North/ West	1560	2/27/2008

STATUS OF CARLSBAD FEDERAL LEASE APPLICATIONS
as of July 26, 2010

BLM Applications

Priority	Type	Lease No.	Legal Description	Mine Area	Acres	Date Submitted BLM
#10	Lease Mod	NMNM-25233	**T20S-R31E - Eddy** Section 17: E/2NW, NE, E/2SE Section 21: All	North/ West	960	2/27/2008
#11	Fringe NMNM-080707		**T21S-R30E - Eddy** Section 27: S/2 Section 33: All Section 34: All Section 35: All	East	2240	2/27/2008
#12	Fringe NMLC-065286		**T20S-R32E - Lea** Section 21: All Section 26: NW Section 27: N/2N/2 Section 28: N/2, SW Section 29: N/2, SE	North/ East	1920	2/27/2008 Revised App 4/2/2008
#13	Lease Mod	NMLC-046729-D	**T19S-R30E - Eddy Co** Section 14: SW, SE Section 22: NW, NE Section 23: N/2NW	Amax Horizon	720	5/7/2005
#14	Fringe of NMNM-113456 per Nellie		**T19S-R30E - Eddy** Section 3: SWSE, NWSW, S/2SW Section 9: All Section 10: All Section 11: NWSW, S/2SW Section 14: NW, NE Section 15: All	Amax Horizon	2520	5/7/2005
#15	Fringe NMNM-113456 per Nellie		**T19S-R30E - Eddy Co** Section 4: S/2NW, SWNE, SW, SE Section 5: Lots 1-2, S2NW, S2NE, SW,SE Section 7: S2NE, NENE Section 8: All Section 17: All	Amax Horizon	2401	5/7/2007
#16	Fringe NMNM-113457		**T19S-R30E - Eddy** Section 12: SW, W2SE Section 13: NW, NE	Amax Horizon	560	5/7/2007
#17	Fringe of Fringe		**T21S-R32E - Eddy** Section 20: SE, SENE Section 21: All Section 28: All Section 33: All	East of East	2160	5/14/2007

STATUS OF CARLSBAD FEDERAL LEASE APPLICATIONS
as of July 26, 2010

BLM Applications

Priority	Type	Lease No.	Legal Description	Mine Area	Acres	Date Submitted BLM
#18	Fringe of Fringe		**T21S-R32E - Eddy** Section 22: All Section 26: All Section 27: All Section 34: NW, W/2NE, NENE	East of East	2200	5/14/2007
#19	Fringe of Fringe		**T21S-R32E - Eddy** Section 25: All Section 35: N/2 Section 36: All	East of East	1600	5/14/2007

Exhibit H

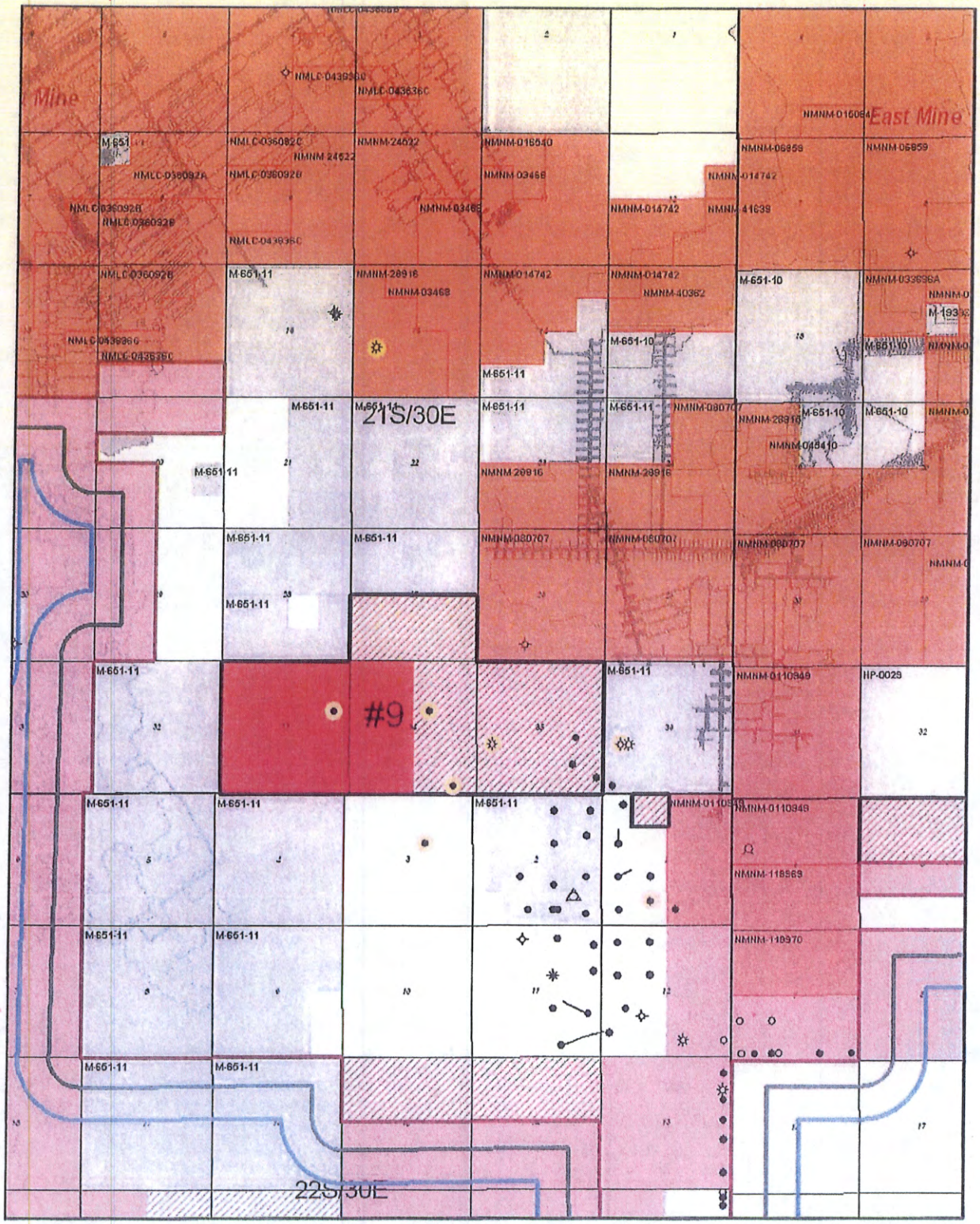


Exhibit A

Intrepid State

Intrepid Federal

Applied Federal

Mosaic

BLM Competitive Oil and Gas Lease Sale July 21, 2010

LMR (Life of Mine Reserves)

- 2006
- Half Mile Buffer
- Quarter Mile Buffer

Well/Label Explanation

- Potash Core Hole
- Potash Core Hole (Undesignated)
- Mine Shaft
- Water Well
- Oil Well
- Gas Well
- OSG Well
- DSA Well
- Disposal Well
- Service Well
- Injection Well
- Temp. Abandoned
- Location
- Spillover Zone

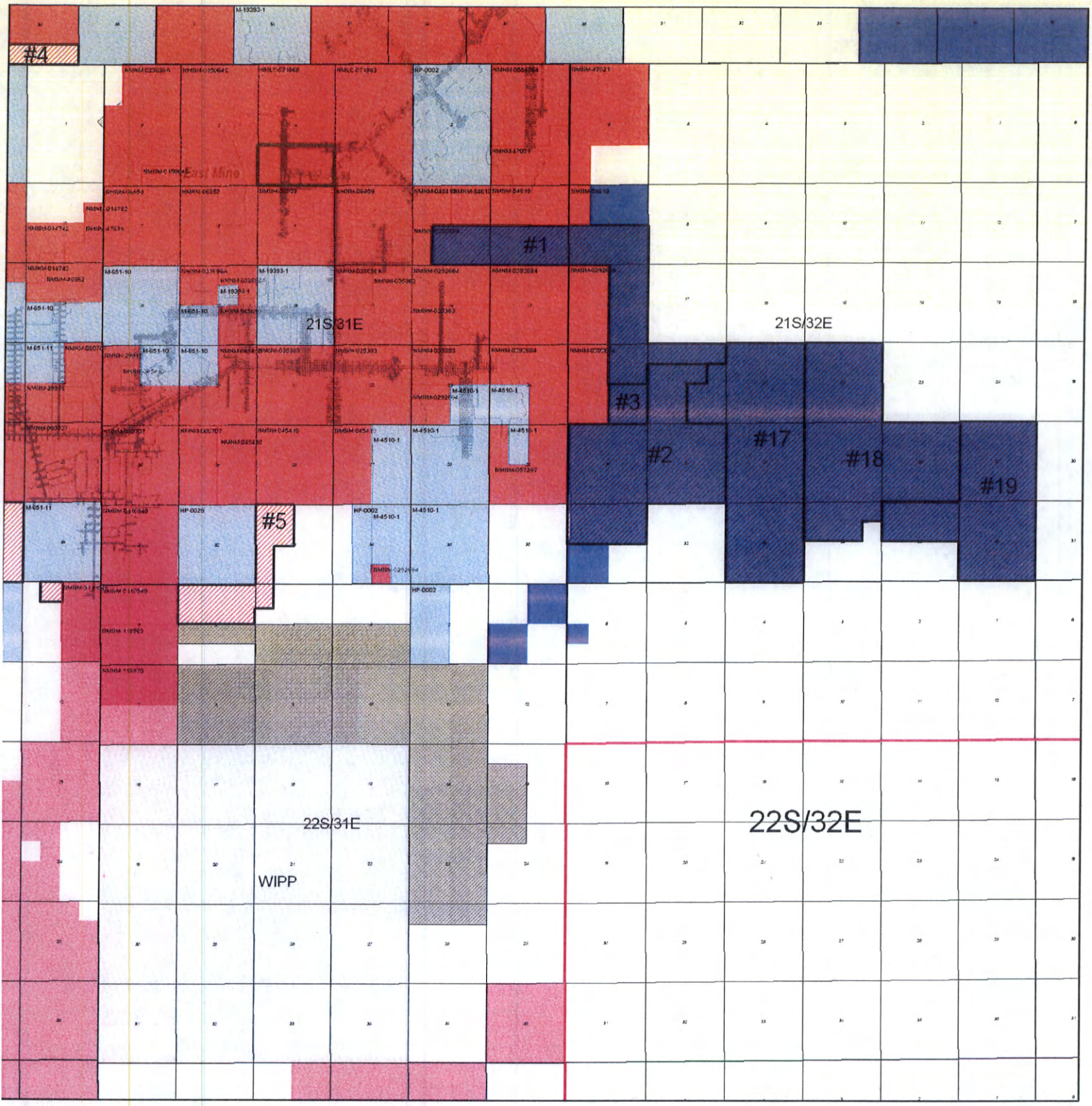
Plugged Wells

Intrepid Potash, Inc.
Confidential

N

INTREPID POTASH, INC.		
Potash Enclave Eddy County, New Mexico Potassium Leasehold		
BLM Lease Sale 62010.gmp	Scale: 1"=6,000'	6 July, 2010

Exhibit I



Lease Explanation

- Intrepid State
- Intrepid Federal
- Intrepid Fee
- Mosaic
- Yates (Federal)
- Applied State
- Applied Federal
- BLM Indicated Nominated Potash Leases

INTREPID POTASH, INC.

Potash Enclave
Eddy & Lea Counties, New Mexico

Potassium Leasehold

File: Land Potash		6/2/2010

Exhibit J

OFFICIAL FILE COPY

United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Pecos District
Carlsbad Field Office
620 E. Greene
Carlsbad, New Mexico 88220-6292
www.blm.gov/nm/st/en.html

TAKE PRIDE® IN AMERICA

4/27/10
4/27/10

In Reply Refer To:
NMNM 86719
NMNM 104278
NMNM 104279
3512 (P0220)

APR 27 2010

DECISION

Assignor:
Yates Petroleum Corporation
105 S. Fourth St.
Artesia, NM 88210

Assignor:
OXY USA Inc.
5 Greenway Plaza, Suite 110
Houston, TX 77046

Assignee:
Western Ag-Minerals Company
P. O. Box 71
Carlsbad, NM 88220

Potassium

Record Title Assignment Approved
Qualifications/Compliance Certificate/Bond Rider Accepted
Individual Lease Bonds Terminated

The record title assignment applications received December 18, 2009 with Yates Petroleum Corporation (Yates) and OXY USA, Inc. (OXY), assignors, and Western Ag-Minerals Company (Western Ag), assignee, are approved effective May 1, 2010. Yates and OXY have reassigned their 50%/50% interest in the federal potassium leases listed below:

NMNM 86719 NMNM 104278 NMNM 104279

The following are hereby approved and accepted effective May 1, 2010:

- 2007 Qualifications Statement forms filed by Western Ag-Minerals Company (43 CFR 3502) remain unchanged per written confirmation received April 13, 2010. The forms are filed in the general qualifications file maintained by this office.

- The Compliance Certificate certifying Western Ag's compliance with Section 2(a)2(A) of the Mineral Leasing Act.

Statewide Surety Bond No. 4804787 was filed on August 29, 1986 with the Bureau of Land Management, New Mexico State Office. A rider to this bond was received by this office on April 12, 2010 amending the bond to include Potassium Leases NMNM 86719, NMNM 104278, and NMNM 104279. The rider has been examined,

found to be satisfactory, and is accepted effective May 1, 2010. It will be attached to and form a part of Statewide Surety Bond No. 4804787, $260,000, with Western Ag-Minerals Co. as principal, and Safeco Insurance Company of America as surety.

The individual lease bonds described below, with Yates Petroleum Corporation as principal, and U. S. Specialty Insurance Company as surety, are terminated effective May 1, 2010:

Lease No.	Bond No.	Bond Amount
NMNM 86719	B002988	$5,000
NMNM 104278	B002990	$5,000
NMNM 104279	B002991	$5,000

The individual lease bonds described below, with OXY USA, Inc. as principal, and Liberty Mutual Insurance Company as surety, are terminated effective May 1, 2010:

Lease No.	Bond No.	Bond Amount
NMNM 86719	22026207	$5,000
NMNM 104278	22026208	$5,000
NMNM 104279	22026209	$5,000

It will be the continuing responsibility of Western Ag-Minerals Company to immediately notify the Bureau of Land Management of any changes in the corporate structure and of persons authorized to act on behalf of the Corporation.

Please contact Nellie Hernandez at 575-234-5969 if you have questions concerning this matter.

/s/ **James Stovall**

James Stovall
Field Manager

1 Enclosure

cc:
Minerals Management Service (w/enclosure)
Solid Minerals & Geothermal CAM
P. O. Box 25165 MS 390B2
Denver, CO 80225-0165

Liberty Mutual Insurance Co. (w/o enclosure)
175 Berkeley St.
Boston, MA 02116

U. S. Specialty Insurance Company (w/o enclosure)
13403 Northwest Freeway
Houston, TX 77040-6094

ASSIGNMENT OF POTASSIUM LEASES

For consideration paid, the receipt and sufficiency of which are hereby acknowledged, YATES PETROLEUM CORPORATION, whose address is 105 South Fourth Street, Artesia, New Mexico 88210, and OXY USA INC., whose address is 5 Greenway Plaza, Suite 110, Houston, Texas 77046 (hereinafter collectively referred to as "Assignors"), do hereby grant, bargain, sell, assign and convey to Western Ag-Minerals Company ("Assignee"), whose address is Post Office Box 71, Carlsbad, New Mexico 88220, subject to the terms and provisions hereof and the reservation hereinafter set forth, all of Assignors' right, title and interest in and to the potassium leases described in Exhibit "A" attached hereto and made a part hereof (collectively, the "Subject Potash Leases").

Assignors hereby except and reserve from this assignment, in equal shares as between them, an overriding royalty interest equal to one-half of the total royalty payable to the lessor, but in no event less than one percent (1%), of all output of the leased deposits produced by Assignee under the terms of said leases, payable in cash or, if contemplated by said leases, in kind at the option of Assignors (in which case the payment of royalty in kind shall be made in accordance with the terms and conditions applicable to payment of royalty in kind set forth in said leases). The overriding royalty interest shall be free of all costs of development and operation and free of all taxes except applicable gross production and severance taxes, and shall be calculated and paid at the same time and in the same manner as royalty payable to the United States under the terms of said leases is calculated and paid, notwithstanding that a Subject Potash Lease burdened by an overriding royalty interest may not be subject to a royalty obligation. The overriding royalty interest shall be applicable to any extension or renewal of said leases, or either of them, defined as any lease for similar substances covering all or any part of the same land acquired by Assignee at any time before or within five (5) years after the expiration of such lease or leases.

The assignment is being made pursuant to that certain Agreement Incident to Assignment of Potassium Leases between Assignors and Mosaic Potash Carlsbad Inc., dated June 29, 2007.

Assignors represent, warrant and agree that (i) they are the lawful owners of the Subject Potash Leases; (ii) they have the power and authority to assign the Subject Potash Leases to Assignee; (iii) all royalties and other amounts due and payable there under on or prior to the date of this assignment have been duly paid; and (iv) the Subject Potash Leases are free and clear of all material liens and encumbrances other than the conditions, reservations, royalties and other payments upon which the grant of such leases was conditioned by the United States of America.

From and after the effective date of this assignment, Assignee shall assume and bear all obligations of the lessee there under. This assignment is made without warranty of title and shall bind and inure to the benefit of Assignors and Assignee and their respective successors and assigns.

Assignors have executed, or may hereafter execute, an assignment or assignments to Assignee on an official form required for filing in the office of the Bureau of Land Management, United States Department of the Interior, in order to comply with the applicable rules and to obtain the approval of such agency. Any such official form of assignment shall be deemed to incorporate and include all of the terms and provisions of this instrument as though the same had been set forth at length therein.

ASSIGNMENT APPROVED:
Effective MAY 1, 2010

J Stovall
Field MANAGER

Executed this 11th day of December, 2009.

OXY USA INC.

By: _____
Name: Stephen S. Flynn
Title: Attorney in Fact

YATES PETROLEUM CORPORATION

By: _____
Name: John A. Yates, Jr.
Title: Attorney-in-Fact

STATE OF TEXAS }
}
COUNTY OF HARRIS }

This instrument was acknowledged before me on the 7 day of December, 2009, by Stephen S. Flynn, Attorney in Fact for OXY USA Inc., a Delaware corporation, on behalf of said corporation.

CANDACE YOUNG
MY COMMISSION EXPIRES
February 23, 2012

_____
Notary Public, State of Texas

STATE OF NEW MEXICO }
}
COUNTY OF EDDY }

This instrument was acknowledged before me on the 11th day of December, 2009, by John A. Yates, Jr., Attorney-in-Fact of YATES PETROLEUM CORPORATION, a New Mexico corporation, on behalf of said corporation.

_____
Notary Public, State of New Mexico

OFFICIAL SEAL
Melinda Natividad
NOTARY PUBLIC-STATE OF NEW MEXICO
My commission expires: 5-17-11

EXHIBIT "A"

TO ASSIGNMENT OF POTASSIUM LEASES

Subject Potash Leases

1. United States Potassium Lease NMNM 104279, from the United States of America, as Lessor, to Yates Petroleum Corporation and Pogo Producing Company, as Lessees, dated December 1, 2000, covering the following described lands in Eddy County, New Mexico:

   Township 22 South, Range 31 East, N.M.P.M.

   Section 3: S½
   Section 4: S½
   Section 5: N½S½, N½S½S½

   containing 880 acres, more or less.

2. United States Potassium Lease NMNM 104278, from the United States of America, as Lessor, to Yates Petroleum Corporation and Pogo Producing Company, as Lessees, dated December 1, 2000, covering the following described lands in Eddy County, New Mexico:

   Township 22 South, Range 31 East, N.M.P.M.

   Section 8: All
   Section 9: All
   Section 10: All

   containing 1,920 acres, more or less.

3. United States Potassium Lease NMNM 86719, from the United States of America, as Lessor, to Yates Petroleum Corporation and Pogo Producing Company, as Lessees, dated December 1, 2000, covering the following described lands in Eddy County, New Mexico:

   Township 22 South, Range 31 East, N.M.P.M.

   Section 11: All
   Section 13: SW¼, S½NW¼
   Section 14: All
   Section 23: All
   Section 24: NW¼
   Section 26: N½N ½

   containing 2,480 acres, more or less.

Exhibit K

United States Department of the Interior

Bureau of Land Management
Carlsbad Field Office
620 E. Greene Street
Carlsbad, NM 88220
www.nm.blm.gov

IN REPLY REFER TO:
NMNM 118969
NMNM 118970
3500 (520)

DEC 1 1 2007

DECISION

Intrepid Potash New Mexico, LLC
700 17th Street, Suite 1700
Denver, CO 80225

Potassium

Potassium Leases Issued
Statewide Personal Bond Amount Increased
Compliance Certificates Accepted

Competitive Potassium Leases NMNM 118969 and NMNM 118970 are approved effective January 1, 2008, and hereby issued to Intrepid Potash NM, LLC (Intrepid) for a period of 20 years. A fully executed copy of each lease is enclosed for your records.

Enclosed are receipts for payments of the bonus bids, advertising costs, and advance rentals.

Coverage under the Statewide Personal Bond held by Intrepid Potash NM, LLC and H B Potash, LLC, is extended to include Potassium Leases NMNM 118969 and NMNM 118970. Per letter dated November 28, 2007, Intrepid has provided a cashier's check in the amount of $40,000 to cover the bond requirements of NMNM 118969 and NMNM 118970. The amount of the Statewide Personal Bond is, therefore, increased from $375,000 to $415,000 (43 CFR 3504.56). Intrepid's letter is hereby accepted effective January 1, 2008; to be attached to and made a part of the Statewide Personal Bond.

The completed Compliance Certificates are also accepted.

If you have questions concerning this matter, please contact Nellie Hernandez, Solid Minerals Division, at 575-234-5969.

James Stovall
Field Manager

2 Enclosures:
1 – Potassium Leases NMNM 118969, NMNM 118970
2 – Receipts

cc:
Minerals Management Service
Solid Minerals & Geothermal CAM
P. O. Box 25165 MS 390B2
Denver, Colorado 80225-0165

Form 3520-7
(February 2005)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB NO 1004-0121
Expires: November 30, 2009

POTASSIUM LEASE

Serial Number
NMNM 118969

PART I. LEASE RIGHTS GRANTED.

This ☑ Lease ☐ Lease Renewal entered into by and between the UNITED STATES OF AMERICA, through the Bureau of Land Management (BLM), hereinafter called lessor and *(Name and Address)*

INTREPID POTASH NEW MEXICO, LLC
700 17TH STREET, SUITE 1700
DENVER, COLORADO 80202

Hereinafter called lessee, is effective *(date)* JAN 0 1 2008, for a period of 20 years,

Sodium, Sulphur, Hardrock –

☐ with preferential right in the lessee to renew for successive periods of _____ years under such terms and conditions as may be prescribed by the Secretary of the Interior, unless otherwise provided by law at the expiration of any period.

Potassium, Phosphate, Gilsonite –

☑ and for so long thereafter as lessee complies with the terms and conditions of this lease which are subject to readjustment at the end of each 20 year period, unless otherwise provided by law.

Sec. 1. This lease is issued pursuant and subject to the terms and provisions of the:
☑ Mineral Leasing Act of 1920, as amended, and supplemented, 41 Stat. 437, 30 U.S.C. 181-287, hereinafter referred to as the Act;
☐ Mineral Leasing Act of Acquired Lands, Act of August 7, 1947, 61 Stat. 913, 30 U.S.C. 351-359;
☐ Reorganization Plan No. 3 of 1946, 60 Stat. 1099 and 43 U.S.C. 1201;
☐ *(Other)* _____; and
to the regulations and general mining orders of the Secretary of the Interior in force on the date this lease issued

Sec. 2. Lessor, in consideration of any bonuses, rents, and royalties to be paid, and the conditions and covenants to be observed as herein set forth, hereby grants and leases to lessee the exclusive right and privilege to explore for, drill for, mine, extract, remove, beneficiate, concentrate, or otherwise process and dispose of the potassium deposits and associated and related minerals hereinafter referred to as "leased deposits," in, upon, or under the following described lands:

T.22S., R.31E., N.M.P.M., Eddy County, New Mexico;
Section 06: Lots 6, 7;
E½SW¼, SE¼.

containing 319.56 acres, more or less, together with the right to construct such works, buildings, plants, structures, equipment and appliances and the right to use such on-lease rights-of-way which may be necessary and convenient in the exercise of the rights and privileges granted, subject to the conditions herein provided.

Phosphate –

☐ In accordance with section 11 of the Act (30 U.S.C. 213), lessee may use deposits of silica, limestone, or other rock in the processing of refining of the phosphates, phosphate rock, and associated or related minerals mined from the leased lands or other lands upon payments of royalty as set forth on the attachment to this lease. *(Phosphate leases only)*

(Continued on page 2)

PART II. TERMS AND CONDITIONS

Sec. 1. (a) RENTAL RATE – Lessee shall pay lessor rental annually and in advance for each acre or fraction thereof during the continuance of the lease at the rate indicated below:

Sulphur, Gilsonite –
☐ 50 cents for the first lease year and each succeeding lease year;
Hardrock –
☐ $1 for the first lease year and $1 for each succeeding lease year;
Phosphate –
☐ 25 cents for the first lease year, 50 cents for the second and third lease years, and $1 for each and every lease year thereafter;
Potassium Sodium –
☑ 25 cents for the first calendar year or fraction thereof, 50 cents for the second, third, fourth, and fifth calendar years respectively, and $1 for the sixth and each succeeding calendar year; or
Sodium, Sulphur, Asphalt, and Hardrock Renewal Leases –
☐ $ _____ for each lease year;

(b) RENTAL CREDITS – The rental for any year will be credited against the first royalties as they accrue under the lease during the year for which rental was paid.

Sec. 2 (a) PRODUCTION ROYALTIES – Lessee must pay lessor a production royalty in accordance with the attached schedule Such production royalty is due the last day of the month next following the month in which the minerals are sold or removed from the leased lands.

SEE ATTACHMENT I.

(b) MINIMUM ANNUAL PRODUCTION AND MINIMUM ROYALTY – (1) Lessee must produce on an annual basis a minimum amount of potassium, except when production is interrupted by strikes, the elements, or casualties not attributable to the lessee Lessor may permit suspension of operations under the lease when marketing conditions are such that the lease cannot be operated except at a loss. (2) At the request of the lessee, made prior to initiation of the lease year, the BLM may allow in writing the payment of a $3 00 per acre or fraction thereof minimum royalty in lieu of production for any particular lease year. Minimum royalty payments must be credited to production royalties for that year

SEE ATTACHMENT II.

Sec. 3. REDUCTION AND SUSPENSION – In accordance with Section 39 of the Mineral Leasing Act, 30 U.S.C. 209, the lessor reserves the authority to waive, suspend or reduce rental or minimum royalty, or to reduce royality and reserves the authority to assent to or order the suspension of this lease.

Sec 4. BONDS – Lessee must maintain in the proper office a lease bond in the amount of $ 415,000*, or in lieu thereof, an acceptable statewide or nationwide bond The BLM may require an increase in this amount when additional coverage is determined appropriate.

***Statewide Personal Bond on file w/CFO.**

Sec 5. DOCUMENTS, EVIDENCE AND INSPECTION – At such times and in such form as lessor may prescribe, lessee must furnish detailed statements showing the amounts and quality of all products removed and sold from the lease, the proceeds therefrom, and the amount used for production purposes or unavoidably lost.
Lessee must keep open at all reasonable times for the inspection of any duly prescribed employee of lessor, the leased premises and all surface and underground improvements, work, machinery, ore stockpiles, equipment, and all books, accounts, maps, and records relative to operations, surveys, or investigations on or under the leased lands.

Lessee must either submit or provide lessor access to and copying of documents reasonably necessary to verify lessee compliance with terms and conditions of the lease

While this lease remains in effect, information obtained under this section must be closed to inspection by the public in accordance with the Freedom of Information Act (5 U.S.C. 552)

Sec. 6 DAMMAGES TO PROPERTY AND CONDUCT OF OPERATIONS – Lessee must exercise reasonable diligence, skill, and care in the operation of the property, and carry on all operations in accordance with approved methods and practices as provided in the operating regulations, having due regard for the prevention of injury to life, health or property and of waste or damage to any water or mineral deposits.

Lessee must not conduct exploration or operations, other than causal use, prior to receipt of necessary permits or approval of plans of operations by lessor.

Lessee must carry on all operations in accordance with approved methods and practices as provided in the operating regulations, and the approved mining plans in a manner that minimizes adverse impacts to the land, air, and water, to cultural, biological, visual, minerals, and other resources, and to other land uses or users. Lessee must take measures deemed necessary by lessor to accomplish the intent of this lease term. Such measures may include, but are not limited to, modification to proposed siting or design of facilities, timing of operations, and specification of interim and final reclamation procedures

Lessor reserves to itself the right to lease, sell, or otherwise dispose of the surface or other mineral deposits in the lands and the right to continue existing uses and to authorize future uses upon or in the leased lands, including issuing leases for mineral deposits not covered hereunder or the approval of easements or rights-of-way. Lessor will condition such uses to prevent unnecessary or unreasonable interference with rights of lessee as may be consistent with concepts of multiple use and multiple mineral development.

Sec. 7. PROTECTION OF DIVERSE INTERESTS, AND EQUAL OPPORTUNITY – Lessee must: pay when due all taxes and legally assessed and levied under the laws of the State or the United States; accord all employees complete freedom of purchase; pay all wages at least twice each month in lawful money of the United States; maintain a safe working environment in accordance with standard industry practices; restrict the workday to not more than 8 hours in any one day for underground workers, except in emergencies; and take measures necessary to protect the health and safety of the public. No person under the age of 16 years must be employed in any mine below the surface. To the extent that laws of the State in which the lands are

(Continued on page 3)

situated are more reactive than the provisions in this paragraph, then the State laws apply.

Lessee must comply with all provisions of Executive Order No 11246 of September 24, 1965, as amended, and the rules, regulations, and relevant orders of the Secretary of Labor. Neither lessee or lessee's subcontractors must maintain segregated facilities.

Sec. 8. (a) TRANSFERS – This lease may be transferred in whole or in part to any person, association or corporation qualified to hold such lease interest

(b) RELINQUISHMENT - The lessee may relinquish in writing at any time all rights under this lease or any portion thereof as provided in the regulations. Upon lessor's acceptance of the relinquishment, lessee must be relieved of all future obligations under the lease or the relinquished portion thereof, whichever is applicable.

Sec. 9. DELIVERY OF PREMISES, REMOVAL OF MACHINERY, EQUIPMENT, ETC. – At such time as all or portions of this lease are returned to lessor, lessee must deliver up to lessor the land leased, underground timbering, and such other supports and structures necessary for the preservation of the mine workings on the leased premises or deposits and place all wells in condition for suspension or abandonment. Within 180 days thereof, lessee must remove from the premises all other structures, machinery, equipment, tools, and materials that it elects to or as required by BLM. Any such structures, machinery, equipment, tools, and materials remaining on the leased lands beyond 180 days, or approved extension thereof, will become the property of the lessor, but lessee must either remove any or all such property or must continue to be liable for the cost of removal and disposal in the amount actually incurred by the lessor If the surface is owned by third parties, lessor will waive the requirement for removal, provided the third parties do not object to such waiver Lessee must, prior to the termination of bond liability or at any other time when required and in accordance with all applicable laws and regulations, reclaim all lands the surface of which has been disturbed, dispose of all debris or solid waste, repair the offsite and onsite damage caused by lessee's activity or activities on the leased lands, and reclaim access roads or trails

Sec. 10. PROCEEDINGS IN CASE OF DEFAULT – If lessee fails to comply with applicable laws, now existing regulations, or the terms, conditions and stipulations of this lease, and noncompliance continues for 30 days after written notice thereof, this lease will be subject to cancellation by the lessor only by judicial proceedings. This provision will not be construed to prevent the exercise by lessor of any other legal and equitable remedy, including waiver of the default Any such remedy or waiver will not prevent later cancellation for the same default occurring at any other time

Sec 11 HEIRS AND SUCCESSORS-IN-INTEREST – Each obligation of this lease must extend to and be binding upon, and every benefit hereof must inure to, the heirs, executors, administrators, successors, or assigns of the respective parties hereto.

Sec 12. INDEMNIFICATION – Lessee must indemnify and hold harmless the United States from any and all claims arising out of the lessee's activities and operations under this lease

Sec. 13. SPECIAL STATUTES – This lease is subject to the Federal Water Pollution Control Act (33 U.S C 1151-1175), the Clean Air Act (42 U.S C. 1857 et seq.), and to all other applicable laws pertaining to exploration activities, mining operations and reclamation.

Sec. 14. SPECIAL STIPULATIONS -

THE FOLLOWING ARE ATTACHED TO AND MADE A PART OF FEDERAL POTASSIUM LEASE NMNM 118969:

1 ATTACHMENT III - SPECIAL STIPULATIONS FOR POTASSIUM LEASES (4 PAGES)

2 ATTACHMENT IV - DILIGENCE REQUIREMENTS FOR POTASSIUM LEASES IN THE KNOWN POTASSIUM LEASING AREA (1 PAGE)

(Section 14 continued on page 4)

Sec. 14. SPECIAL STIPULATIONS – (Cont.)

THE UNITED STATES OF AMERICA
BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE

INTREPID POTASH NEW MEXICO LLC
(Company or Lessee Name)

By JAMES STOVALL
(Signing Officer's Printed Name)

(Signature of Lessee)

(Signing Officer)

Robert P. Jornayvaz, III
Manager
(Title)

FIELD MANAGER
(Title)

November 20, 2007
(Date)

12/10/2007
(Date)

Title 18 U.S.C. Section 1001 makes it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Continued on page 5)

NOTICES

The Privacy Act of 1974 and the regulation in 43 CFR 2 48(d) provide that you be furnished with the following information required by this application.
AUTHORITY: 30 U S.C. 181 et seq., 43 U.S.C. 3500
PRINCIPAL PURPOSE: The BLM will use the information you provide to verify your compliance with lease terms

ROUTINE USES: The BLM will disclose information to: (1) appropriate Federal, State, local or foreign agencies when relevant to civil, criminal, or regulatory investigations or prosecutions; (2) appropriate Federal agencies when their concurrence is required before BLM grants a right in public lands or resources; (3) a member of the public in response to a specific request for pertinent information; (4) a congressional office in response to an inquiry made at the request of an individual; and (5) to a consumer reporting agency to expedite collecting debts owed the government.
EFFECT OF NOT PROVIDING INFORMATION: Filing of the information is required to obtain and keep a benefit. If you do not provide the information, BLM may seek to cancel your lease.

The Paperwork Reduction Act of 1995 requires us to inform you that:
The BLM collects this information to comply with the regulations at 43 CFR 3500, which implement the provisions of the Mineral Leasing Act of 1920, as amended; the Mineral Leasing Act for Acquired Land of 1947; and section 402 of Reorganization Plan No. 3 of 1946.
The BLM uses the information to verify that you are complying with lease terms
Response to this request is required to obtain and keep a benefit.
The BLM would like you to know that you do not have to respond to this or any other Federal agency-sponsored information collection unless it displays a currently valid OMB control number.

BURDEN HOURS STATEMENT: Public reporting burden for this form is estimated to average 300 hours per response, including the time for reviewing instructions, gathering, and maintaining data, and completing and reviewing the form. Direct comments regarding the burden estimate or any other aspect of this form to U.S. Department of the Interior, Bureau of Land Management (1004-0121), Bureau Information Collection Clearance Officer (WO-630), 1849 C Street, N.W., Mail Stop 401 LS, Washington D.C. 20240

TO BE ATTACHED TO AND MADE A PART OF POTASSIUM LEASE NMNM 118969

PART II. TERMS AND CONDITIONS
Sec. 2. (a) PRODUCTION ROYALTIES -

Schedule of Production Royalty Rates

Production Royalties - Lessee shall pay lessor a royalty of 5.0 percent of the gross value of the output of all lease deposits at the point of shipment to market.

Royalties shall be paid monthly in cash or delivered in kind at the option of the lessor. It is expressly agreed that the Secretary of the Interior may establish reasonable minimum values for purposes of computing royalty on any of the lease deposits, due consideration being given to the highest price paid for a part or a majority of the production of like quality products from the same general area, the price received by the lessee, the posted price, and other relevant matters.

When paid in value, such royalty on production shall be due and payable monthly on the last day of the calendar month following the calendar month in which produced.

When royalty is to be taken in kind, the lessee will be notified prior to March 1 that delivery of royalty products will be required beginning June 1 of that year for a stated period not exceeding 12 months. When paid in kind, royalty products shall be delivered in merchantable condition at the point of shipment without cost to the lessor, unless otherwise agreed to by the parties hereto, at such time and in such storage compartments provided by the lessee as may reasonably be required by the lessor, provided that the lessee shall not be required to hold the royalty products in storage for more than 60 days beyond the end of the month in which produced, and, provided further, that the lessee shall in no manner be responsible or held liable for the loss or destruction of the royalty product in storage from causes over which the lessee has no control.

TO BE ATTACHED TO AND MADE A PART OF POTASSIUM LEASE NMNM 118969

Part II. TERMS AND CONDITIONS – Sec. 2(b):
Minimum Annual Production and Minimum Royalty

Section 2(b) of the lease is hereby amended, pursuant to the regulations in 43 CFR 3504.25 and 43 CFR 3513:

Sec. 2(b). MINIMUM ANNUAL PRODUCTION AND MINIMUM ROYALTY. This lease shall require a minimum annual production or the payment of minimum royalty in lieu of production for any particular lease year, beginning with the sixth lease year. Minimum royalty payments shall be credited to production royalties for that year only. Leases renewed or readjusted shall require a minimum annual production or the payment of minimum royalty in lieu of production for any particular lease year, beginning with the first full year of the renewed or readjusted lease. Minimum royalty payments shall be credited to production royalties for that year only.

The rate of the minimum royalty in lieu of production described above shall be $3.00 per acre or fraction thereof per year, payable in advance.

If the Authorized Officer determines it is necessary to promote development or finds that the lease cannot be successfully operated under the terms provided therein, the rental or minimum royalty payment may be waived, suspended or reduced, or the royalty rate reduced.

Special Stipulations for Potassium Leases

Sec. 14 - Special Stipulations - These stipulations are a minimum requirement for general lease operations. More restrictive stipulations may be required for specific projects.

1. The lessee shall agree and stipulate that the Federal Government, the Department of the Interior, and the Bureau of Land Management and its representatives shall not be responsible for damage or injury to persons and property which may occur during the permitted use period or as a result of such use.

2. The lessee shall comply with all applicable Federal, State and local laws and regulations existing or hereafter enacted or promulgated during the term of this action.

3. Operations shall not be conducted which in the opinion of the authorized officer would constitute a hazard to oil and gas production or that would unreasonably interfere with the orderly development and production under any oil and gas lease issued for the same lands.

4. If, during any phase of the construction or operation of the lease, any pollutant or hazardous material should be discharged by the operator or his representative impacting Federal lands, the control and total removal, disposal, and cleanup of such pollutant or hazardous material, wherever found, shall be the responsibility of lessee, regardless of fault Upon failure of the lessee to control, dispose of, or cleanup such discharge on or affecting Federal lands, or to repair all damages resulting therefrom, on the Federal lands, the Authorized Officer may take such measures as he deems necessary to control the cleanup, the discharge, and restore the area, including where appropriate, the aquatic environment and fish and wildlife habitats, at the full expense of the lessee. Such action by the Authorized Officer shall not relieve the lessee of any responsibility as provided herein.

5. Removal of fuel wood and live plants from public lands are not permitted unless approved by the authorized officer.

6. Removal of mineral materials such as sand, gravel, caliche, or building stone is not allowed unless authorized by a current sales contract. No new caliche pits or other material pits on federal lands shall be allowed without the approval of the Authorized Officer. Mineral materials removed from Federal lands are by permit only. A permit shall be purchased prior to mineral material removal.

7. The collection, excavation, removal, damage to or alteration of any antiquities, including Indian artifacts and arrowheads is prohibited by the Archeological Resources Protection Act (16 USC 470aa-470ll). The lessee shall be responsible for ensuring that people employed by the lessee or under contract to the lessee shall abide by this law.

8. Any cultural and/or paleontological resource (historic or prehistoric site or object) discovered by the lessee or any person working on the lessee's behalf, on Federal land shall be immediately reported to the authorized officer. The holder shall suspend all operations in the immediate area of such discovery until written authorization to proceed is issued by the authorized officer. The authorized officer shall determine the appropriate actions necessary in order to prevent the loss of significant cultural or scientific values. The holder will be responsible for the cost of evaluation and any measures necessary to mitigate the site as determined by the authorized officer with consultation with the lessee.

9. A cultural survey shall be conducted by an archeologist approved by the BLM, prior to any construction activities on lands not previously surveyed.

10. The lessee shall obtain prior written approval from the BLM of any construction not authorized in a previously approved plan Notification to the BLM of the activity shall be in the form of a written mining plan modification

11. If a fence is crossed during lease operations, to prevent slacking of fence wire, the lessee will brace and tie-off each existing fence to be crossed before cutting. During construction, the opening shall be protected to prevent the escape of livestock. Fences that have been cut during construction will be restored by the lessee to a condition which is equal to or better than the original Cattle guards and adjacent gates which are of a suitable width will also be installed in any fence where a road created during construction is to be regularly traveled.

12. Gates or cattle guards on public lands shall not be locked or closed to public use by the lessee. Gates will be kept closed at all times unless the grazing allottee requests them to be left open.

13. Prior to any construction, the lessee shall notify the grazing allottee or the surface owner, in the case of private ownership, of the activity.

14. Vegetation, soil and rocks left as a result of construction or maintenance activity will be randomly scattered in the vicinity and will not be left in rows, piles, or berms, unless otherwise approved by the Authorized Officer.

15. Clearing and blading of roads and pads will be held to a minimum unless approved by the authorized officer.

16. At the conclusion of construction activities requiring the excavation of pits on the surface of Federal lands, the pits will be filled with soil such that after compaction the pit is at ground level.

17. No landfills for the disposal of any waste shall be allowed. All trash shall be hauled to an approved sanitary landfill or dumpsite. The Authorized Officer shall first approve any other methods of disposal.

18. No excess or waste concrete shall be dumped on Federal lands. If concrete is accidentally spilled, it will be removed and disposed of properly.

19. The operation of the lease may not result in the establishment of noxious weeds as defined by the Carlsbad Field Office. If any lease action is responsible for the establishment of any noxious weeds on the leased or surrounding lands, the lessee will be responsible for their removal at the lessee's expense. The current noxious weeds defined by the Carlsbad Field Office are: Malta Starthistle, African Rue, Scotch Thistle, Saltcedar, or Rayless Goldenrod. This list may change at any time.

20. Any structures erected at a location away from the main plant site, as determined by the BLM, shall be painted a color that blends in with the natural landscape. The color shall be one that is approved by the BLM.

Road Construction Stipulations:

1. Road Width and Grade - The road will have a driving surface no greater than 12 feet. The maximum grade of the road at any point will be no more than 10 percent. Minimum road construction techniques are recommended.

2. Road Width and Grade - The maximum width of surface disturbance resulting from road construction will be 30 feet. Minimum road techniques are recommended

3. Cattle guards - Where used, all cattle guard grids and foundation designs and construction shall meet the American Association of State Highway and Transportation Officials (AASHTO) Load Rating H-20, although AASHTO U-80 rated grids shall be required where heavy loads (exceeding H-20 loading), are anticipated (see BLM standard drawings for cattle guards). Cattle guard grid length shall not be less than 8 feet and width of not less than 14 feet. A wire gate (16-foot minimum width) will be provided on one side of the cattle guard unless requested otherwise by the surface user

Hazardous Materials Requirements

If Hydrogen Sulfide gas is present, the lessee will be required to install:

1. Signs - at appropriate locations with the following language:

CAUTION - POTENTIAL POISON GAS
HYDROGEN SULFIDE (H2S)
NO ADMITTANCE WITHOUT AUTHORIZATION

2. Windsocks or Windstreamers - at appropriate locations and will be at least 36" in length.

RECLAMATION

Stipulations required by the Authorized Officer on specific actions may differ from the following general guidelines.

1. Core Hole Reclamation:

   a. All the core holes shall be plugged from bottom to top with cement to protect water bearing aquifers.

   b. A 4-inch pipe marker will be set extending 5 feet above ground level and will have the location and lessee's name appropriately marked on the pipe.

2. Road and Site Reclamation:

   a. Any new roads or pads constructed during lease operation will be ripped and seeded, and any drilling pads constructed will be ripped and seeded.

   b. Any areas where vehicles have been driven across open country will have three tee posts with wire stretched between them, erected across the access to the disturbance in order to restrict further vehicular use.

   c. Any land disturbed during construction will be seeded to the specifications below.

   d. A berm will be constructed across the entrance to any road reclaimed with a minimum height of 3 feet and a length sufficient to prohibit or discourage vehicular travel.

3. Facility Reclamation:

   Any surface structure erected during lease operation shall be removed and disposed of in a proper manner according to Federal, State and County laws and regulations. Any concrete spilled on the Public Lands shall be removed and disposed of properly.

4. Hazardous Waste Removal:

   Any hazardous wastes spilled or otherwise used on the site will be removed and disposed of by a method approved by the authorized officer at the expense of the lessee

5. Seeding Techniques:

Seeds shall be drilled to a proper depth to insure good coverage and germination. The seed mixture shall be evenly and uniformly planted over the disturbed area. If drilling is not possible, seeds shall be broadcast and the area raked or dragged to cover the seed.

6. Seed Mixture:

A certified "Weed Free" seed mixture will be used for reclamation. The suggested seed mixture is listed below. The seed mixture may be changed with the approval of the authorized officer.

Species are to be planted in pounds of pure live seed per acre.

Common Name	*Scientific Name*	*Lbs. Live Seed/Acre*
Blue Grama	Bouteloua Gracilis, Hachita Variety	5.0
Plains Bristle Grass	Setaria Macrostachya	2.0
Little Bluestem	Schizachyrium Scoparium	2.0
Green Sprangletop	Leptochloa Dubia	2.0
Alkali Sacoton	Sporobolus Airoides, Salado Variety	1.0
Fourwing Saltbush	Atriplex Canescens	2.0
Total		*14.0 lbs./acre*

7. Soil Preparation:

A granular 16-12-12 fertilizer, or better, will be required at the rate of 200 lbs. per acre. Fertilizer requirements may be modified prior to the performance of reclamation upon approval of the Authorized Officer.

Water shall be applied directly after planting, irrigated a minimum of three inches into the soil in order to provide adequate amounts of moisture, and to help embed the seeds. Seeding prior to the fall rainy season is preferable

If after one growing season the vegetation has not taken hold, re-seeding will be required as in steps 5 through 7 above.

Signature

Robert P. Jornayvaz, III

November 20, 2007
Date

Diligence Requirements for Potassium Leases
in the
Known Potassium Leasing Area
Carlsbad Mining District, New Mexico

Lease No. NMNM 118970

Schedule of Diligence:

This potassium lease shall terminate at the end of a three (3) year period from issuance or readjustment, unless:

1. The lease is being produced in paying quantities, or

2 The lease is part of a "lease block" which is being or has been produced for potassium in paying quantities, or

3. A mining plan, determined to be approvable by the authorized officer, is in place.

This lease shall terminate at the end of a five (5) year period from issuance or readjustment, unless at least one of the three conditions listed above is fulfilled and diligent, substantial construction is being pursued towards the completion of a production shaft.

This lease shall terminate at the end of a seven (7) year period from issuance or readjustment, unless either condition 1 or 2 has been fulfilled or a mine production shaft has been completed to the mining level.

This lease shall terminate at the end of a ten (10) year period from issuance or readjustment, unless either condition 1 or 2 has been fulfilled.

For the purposes of this provision, the term "lease block" is defined as a potassium lease or group of potassium leases which are being produced in paying quantities under an approved mining plan. The leases may be Federal, state, or private. This lease may be considered part of a lease block if the lease is subleased to an adjacent mining operation where the combined leases meet the definition of lease block.

Potassium is being produced in paying quantities when, at the point of shipment to market, the gross value of potassium compounds produced from this lease or the lease block yields a return in excess of all direct and indirect operating costs allocable to production using standard accounting principles.

If this lease is subleased, qualifying under condition 2, the remaining term and requirements for diligence will be suspended as of the day the sublease is signed. If the sublease is terminated, for whatever reason, the remaining term and requirements for diligence will begin on the day the sublease is terminated.

(Lessee Signature)

November 20, 2007
(Date)

Robert P. Jornayvaz, III Attachment IV

United States Department of the Interior
Bureau of Land Management
CARLSBAD FIELD OFFICE
620 E. GREENE
CARLSBAD, NM 88220 -6292
Phone: (575) 234-5972

Receipt No: 1614141

Transaction #: 1667008
Date of Transaction: 12/04/2007

CUSTOMER:	INTREPID POTASH NM LLC 700 17TH ST STE 1700 DENVER,CO 80202

LINE #	QTY	DESCRIPTION	REMARKS	UNIT PRICE	TOTAL
1	1.00	OTHER LEASABLE MINERALS / POTASSIUM COMPETITIVE LEASE / 1ST YEAR RENTAL RECEIVED (450) **CASES:** NMNM 118969/$80.00		- n/a -	80.00
2	1.00	OTHER LEASABLE MINERALS / POTASSIUM COMPETITIVE LEASE / PUBLICATION COST RECEIVED (5700) **CASES:** NMNM 118969/$139.94		- n/a -	139.94
3	1.00	OTHER LEASABLE MINERALS / POTASSIUM COMPETITIVE LEASE / BONUS BID RECEIVED (450) **CASES:** NMNM 118969/$108800.00		- n/a -	108800 00
				TOTAL:	**$109,019.94**

PAYMENT INFORMATION				
1	AMOUNT:	$109,019.94	POSTMARKED:	11/29/07 0:00
	TYPE:	CHECK	RECEIVED:	12/03/2007
	CHECK NO:	7223		
	NAME:	INTREPID MINING LLC 700 17TH ST STE 1700 DENVER CO 80202		

REMARKS

This receipt was generated by the automated BLM Collections and Billing System and is a paper representation of a portion of the official electronic record contained therein

United States Department of the Interior
Bureau of Land Management
CARLSBAD FIELD OFFICE
620 E. GREENE
CARLSBAD, NM 88220 -6292
Phone: (575) 234-5972

Receipt
No: 1614119

Transaction #: 1666984
Date of Transaction: 12/04/2007

CUSTOMER:	INTREPID POTASH NM LLC 700 17TH ST STE 1700 DENVER,CO 80202

LINE #	QTY	DESCRIPTION	REMARKS	UNIT PRICE	TOTAL
1	1.00	OTHER LEASABLE MINERALS / POTASSIUM COMPETITIVE LEASE / BOND (CASH) FILED (455) **CASES:** NMNM 118969/$20000.00		- n/a -	20000.00
2	1.00	OTHER LEASABLE MINERALS / POTASSIUM COMPETITIVE LEASE / BOND (CASH) FILED (455) **CASES:** NMNM 118970/$20000.00		- n/a -	20000.00
				TOTAL:	**$40,000.00**

PAYMENT INFORMATION				
1	AMOUNT:	$40,000.00	POSTMARKED:	11/29/07 0:00
	TYPE:	CHECK	RECEIVED:	12/03/2007
	CHECK NO:	530411296		
	NAME:	INTREPID MINING LLC 700 17TH ST STE 1700 DENVER CO 80202		

REMARKS
NOTE: STATEWIDE PERSONAL CASH BOND INCREASED; $375,000 + $40,000 = $415,000.

This receipt was generated by the automated BLM Collections and Billing System and is a paper representation of a portion of the official electronic record contained therein

BLM - Potash.

INFORMATION MEMORANDUM

DATE: February 25, 2010

FROM: Linda Rundell, BLM-New Mexico State Director, (505) 954-2222

SUBJECT: OIL AND GAS AND POTASH CONFLICTS IN NEW MEXICO

I. BACKGROUND

(b) (5)

NATIONAL SYSTEM OF PUBLIC LANDS

(b) (5) II POSITION OF INTERESTED PARTIES

(b) (5)

(b) (5)

III. LEGAL STATUS

CONTACT: Linda Rundell, State Director, BLM New Mexico, (505) 438-7501 and Tony Herrell, Deputy State Director – Minerals, (505) 954-2134

NATIONAL SYSTEM OF PUBLIC LANDS

(b) (5)

(b) (5)

(b) (5)

DEPARTMENT OF THE INTERIOR

Office of the Secretary

Oil, Gas and Potash Leasing and Development Within the Designated Potash Area of Eddy and Lea Counties, New Mexico

Order

Section 1. *Purpose.* This order revises the rules for concurrent operations in prospecting for, development and production of oil and gas and potash deposits owned by the United States within the designated Potash Area and for revising the designated Potash Area to which the provisions of this Order are applicable.

Section 2. *Authority.* This order is issued in accordance with the authority vested in the Secretary of the Interior in the Mineral Leasing Act of 1920, as amended and supplemented (30 U.S.C. 181 *et seq.*) and the Mineral Leasing Act for Acquired Land of 1947, as amended (43 U.S.C. 351–359).

Section 3. Restatement of Rules for Concurrent Operations in Prospecting for, Development and Production of Oil and Gas and Potash Deposits Owned by the United States within the Designated Potash Area and to Revise the Designated Potash Area as follows:

I

The Order of the Secretary of the Interior dated February 6, 1939 (4 FR 1012), withholding certain lands in New Mexico from application or lease under the provisions of the Mineral Leasing Act of February 25, 1920, as amended and supplemented (30 U.S.C. 181 *et seq.*), which Order was revoked by Order of the Secretary of the Interior dated October 16, 1951 (16 FR 10669), shall continue to be revoked. The lands described in the Order of February 6, 1939 (except the E1/2E½, W½SE¼, sec. 25, T. 20 S., R. 20E, New Mexico Principal Meridian, which were withdrawn from all forms of entry by Public Land Order No. 589 (14 FR 1086)), which were opened for oil and gas leasing by the Order of October 16, 1951, shall continue to be open for oil and gas leasing. This Order shall not affect the current status of lands within respect to their being withdrawn from, or open for, entry or leasing.

II

Subject to the provisions of I above, the provisions of the Order of the Secretary of the Interior dated November 5, 1975 (40 FR 51486), are revised to change the Potash Area Designated therein as specified in this Order.

III. General Provisions

A. Issuance of Oil and Gas Leases

The Department of the Interior reaffirms its position that the lease stipulations contained in the Order of November 5, 1975, adequately protect the rights of the oil and gas and potash lessees and operators. Therefore, each successful applicant for a noncompetitive oil and gas lease, and any party awarded a competitive lease, for lands included in the designated Potash Area is required, as a condition to the issuance of such lease, to execute a stipulation to the lease as follows:

1. Drilling for oil and gas shall be permitted only in the event that the lessee establishes to the satisfaction of the authorized officer, Bureau of Land Management, that such drilling will not interfere with the mining and recovery of potash deposits, or the interest of the United States will best be served by permitting such drilling.

2. No wells shall be drilled for oil or gas at a location which, in the opinion of the authorized officer, would result in undue waste of potash deposits or constitute a hazard to or unduly interfere with mining operations being conducted for the extraction of potash deposits.

3. When the authorized officer determines that unitization is necessary for orderly oil and gas development and proper protection of potash deposits, no well shall be drilled for oil or gas except pursuant to a unit plan approved by the authorized officer.

4. The drilling or the abandonment of any well on said lease shall be done in accordance with applicable oil and gas operating regulations (43 CFR 3160), including such requirements as the authorized officer may prescribe as necessary to prevent the infiltration of oil, gas or water into formations containing potash deposits or into mines or workings being utilized in the extraction of such deposits.

In taking any action under Part A, Items 1, 2, 3 and 4 of this Order, the authorized officer shall take into consideration the applicable rules and regulations of the Oil Conservation Division of the State of New Mexico.

B. Renewal or Extension of Oil and Gas Leases

As a condition to the granting of any discretionary renewal or extension of any existing lease embracing lands included in the designated Potash Area, the lessee shall execute a stipulation identical to that specified in Part A, Items 1, 2, 3 and 4 of this Order.

C. Potash Leases

All potash permits and leases hereafter issued or existing potash leases hereafter renewed for Federal lands within the designated Potash Area, shall be subject to a requirement either to be included in the lease or permit or imposed as a stipulation, to the effect that no mining or exploration operations shall be conducted that, in the opinion of the authorized officer, will constitute a hazard to oil or gas production, or that will unreasonably interfere with orderly development and production under any oil or gas lease issued for the same lands.

D. Mineable Reserves

1. Each potash lessee shall file annually by January 1, with the District Manager, Bureau of Land Management, a map(s) on which has been delineated the following information with respect to the Federal Potash leases which are then held:

a. The areas where active mining operations are currently in progress in one or more ore zones;

b. The area where operations have been completed in one or more ore zones;

c. Those areas that are not presently being mined which are considered to contain a mineable reserve in one or more ore zone, i.e., those areas (enclaves) where potash ore is kown to exist in sufficient thickness and quality to be mineable under existing technology and economics; and

d. The areas within these enclaves which are believed to be barren of commercial ore.

The authorized officer shall review the information submitted in this regard and make any revisions in the boundaries or the proposed mineable reserves (potash enclaves) which are consistent with the data available at the time of such analyses. The authorized officer shall commit the initial findings to a map(s) of suitable scale and shall thereafter revise that map(s) as necessary to reflect the latest available information.

E. Oil and Gas Drilling

1. It is the policy of the Department of the Interior to deny approval of most applications for permits to drill oil and gas test wells from surface locations within the potash enclaves established in accordance with Part D, item 1 of this Order. Two exceptions to this policy shall be permitted under the following conditions.

a. Drilling of vertical or directional holes shall be allowed from barren areas within the potash enclaves when

the authorized officer determines that such operations will not adversely affect active or planned mining operations in the immediate vicinity of the proposed drillsite;

b. Drilling of vertical or directional holes shall be permitted from a drilling island located within a potash enclave when: (1) There are no barren areas within the enclave or drilling is not permitted on the established barren area(s) within the enclave because of interference with mining operations; (2) the objective oil and gas formation beneath the lease cannot be reached by a well which is vertically or directionally drilled from a permitted location within the barren area(s); or (3) in the opinion of the authorized officer, the target formation beneath a remote interior lease cannot be reached by a well directionally drilled from a surface location outside the potash enclave. Under these circumstances, the authorized officer shall establish an island within the potash enclave from which the drilling of that well and subsequent wells will be permitted. The authorized officer, in establishing any such island, will, consistent with present directional drilling capabilities, select a site which shall minimize the loss of potash ore. No island shall be established within one mile of any area where approved mining operations will be conducted within three years. To assist the authorized officer in this regard, he/she may require affected potash mining operators to furnish a three-year mining plan.

2. In order to protect the equities between oil and gas lessees, while at the same time reducing the number of oil and gas wells which operators propose to drill in the Potash Area, the authorized officer shall make greater use of his/her prerogative to require unitizaion pursuant to the regulations in 43 CFR 3180. Unitization shall be mandatory in those cases where completion of the proposed well as a producer might result in the drainage of oil and gas from beneath other Federal lands within a potash enclave. This unitization will be a prerequisite to the approval of any well which is: (1) Located adjacent to a potash enclave (within one-quarter of a mile if an oil test well or one-half mile if a gas test well) and which is to be drilled vertically to the prospective formation; (2) to be directionally drilled from an adjacent surface location to bottom in a formation beneath an enclave; or (3) to be vertically or directionally drilled from a barren area or island within an enclave. Any unit plan hereafter approved or prescribed that includes oil and gas leases covered by this Order shall include a provision embodying in substance the requirements set forth in Part A, items, 1, 2, 3 and 4 of this Order.

3. The Department of the Interior shall cooperate with the New Mexico Oil Conservation Division in the implementation of that agency's rules and regulations. In that regard, the Federal potash lessees shall continue to have the right to protest to the New Mexico Oil Conservation Division the drilling of a proposed oil and gas test on Federal lands provided that the location of said well is within the State of New Mexico's "Oil-Potash Area" as that area is delineated by New Mexico Oil Conservation Division Order No. R-111, as amended. However, the Department shall exercise its prerogative to make the final decision of whether to approve the drilling or any proposed well on a Federal oil and gas lease within the Potash Area.

4. Applications for permits to drill vertical test wells for oil and gas at locations that are in the Potash Area but outside the State of New Mexico's "Oil-Potash Area" and which do not directly offset an enclave (within one-quarter mile if an oil test well or one-half mile if a gas test well) shall be routinely processed by the authorized officer.

F. Access to Maps and Surveys

1. Well records and survey plats that an oil and gas lessee is required to file pursuant to applicable operating regulations (43 CFR 3160), shall be available for inspection at the Roswell District Office, Bureau of Land Management, by any party holding a potash permit or lease on the lands on which the well is situated insofar as such records are pertinent to the mining and protection of potash deposits.

2. Maps of mine workings and surface installations and records of core analyses that a potash lessee is required to file pursuant to applicable operating regulations (43 CFR 3570), shall be available for inspection at the Roswell District Office, Bureau of Land Management, by any party holding an oil and gas lease on the same lands insofar as such records are pertinent to the development and protection of oil and gas deposits.

3. Maps of potash enclaves shall be available for inspection in the Roswell District Office and Carlsbad Resource Area, Bureau of Land Management. Copies of such maps shall be available at the same offices.

C. Definition

The term "potash" as used in this Order shall be deemed to embrace potassium and associated minerals as specified in the Act of February 27, 1927 (30 U.S.C. 281-287).

IV

The lessee of any existing lease in the designated Potash Area may make such lands subject to the rules and regulations of Part III of this Order by filing an election to do so, in duplicate, with the New Mexico State Office, Bureau of Land Management, Santa Fe, New Mexico. Except to the extent modified by this Order, the general regulations contained in 43 CFR Parts 3100, 3160 and 3180 (governing the leasing and development of potash deposits) and 43 CFR Group 3500 (governing the leasing and development of potash deposits), shall be applicable to the lands covered by this Order.

V. The designated Potash Area is as follows

New Mexico Principal Meridian

T 22 S., R. 28 E.,
Secs. 25 and 36.
T. 23 S., R. 28 E.,
Sec. 1.
T. 19 S., R. 29 E.,
Secs. 1 and 2;
Secs 11 to 15 inclusive;
Secs. 22 to 27 inclusive;
Secs. 34 and 36.
T. 20 S., R. 29 E.,
Secs. 1 and 2;
Secs. 11 to 15 inclusive;
Secs. 22 to 27 inclusive;
Secs. 34 and 36 inclusive.
T. 21 S., R. 29 E.,
Secs. 1 to 5 inclusive;
Secs. 10 to 15 inclusive;
Secs. 22 to 27 inclusive;
Secs. 34 and 36 inclusive.
T. 22 S., R. 29 E.,
Secs. 1 to 5 inclusive;
Secs. 8 to 17 inclusive;
Secs. 19 to 36 inclusive.
T. 23 S., R. 29 E.,
Secs. 1 to 17 inclusive;
Secs. 21 to 28 inclusive;
Secs. 33 to 36 inclusive.
T. 24 S., R. 29 E.,
Secs. 1 to 4 inclusive.
T. 18 S., R. 30 E.,
Secs. 8 to 17 inclusive;
Secs 20 to 29 inclusive;
Secs. 32 to 36 inclusive.
T. 19 S., R. 30 E.,
T. 20 S., R. 30 E.,
T. 21 S., R. 30 E.,
T. 22 S., R. 30 E.,
T. 23 S., R. 30 E.,
T. 24 S., R. 30 E.,
Secs. 1 to 18 inclusive.
T. 19 S., R. 31 E.,
Secs. 7, 18;
Secs. 31 to 36 inclusive.
T. 20 S., R. 31 E.,
T. 21 S., R. 31 E.,
T. 22 S., R. 31 E.,
T. 24 S., R. 31 E.,
Secs. 1 to 18 inclusive;
Secs. 35 and 36.

T. 25 S., R. 31 E.,
Secs. 1 and 2.
T. 19 S., R. 32 E.,
Secs. 25 to 28 inclusive;
Secs 31 to 36 inclusive.
T. 20 S., R. 32 E.,
T. 21 S., R. 32 E.,
T. 22 S., R. 32 E.,
Secs. 1 to 12 inclusive.
T. 19 S., R. 33 E.,
Secs. 21 and 36 inclusive.
T. 20 S., R. 33 E.,
T. 21 S., R. 33 E.,
T. 22 S., R. 33 E.,
Secs. 1 to 12 inclusive.
T. 19 S., R. 34 E.,
Secs. 19 and 20;
Secs. 29 to 32 inclusive.
T. 20 S., R. 34 E.,
Secs. 3 and 10 inclusive;
Secs. 15 and 36 inclusive.
T. 21 S., R. 34 E.,
Secs. 5 to 8 inclusive;
Secs. 17 to 20 inclusive;
Secs. 29 to 32 inclusive.
T. 22 S., R. 34 E.,
Sec. 6.

The area described, including public and non-public lands, aggregates 497,002.03 acres, more or less.

Section 4. *Administrative Provisions.* The Director, Bureau of Land Management, is authorized to delegate responsibilities herein as are determined appropriate.

Section 5. *Effective Date.* This Order is effective immediately.

Dated: October 21, 1986.

Donald Paul Hodel,

Secretary of the Interior.

[FR Doc. 86-24314 Filed 10-27-86; 8:45 am]

BILLING CODE 4310-10-M

Bureau of Land Management

[I-21104]

Idaho; Realty Action, Sale of Public Land in Power County

AGENCY: Bureau of Land Management, Idaho, Interior.

ACTION: Notice of Realty Action, Sale of Public Land in Power County, Idaho.

DATE AND ADDRESS: The sale offering will be held on Wednesday, January 14, 1987, at 2:00 p.m. at Deep Creek Resource Area Office, 138 South Main, Malad City, Idaho 83252.

SUMMARY: The following described land has been examined and through the public-supported land use planning process have been determined to be suitable for disposal by sale pursuant to section 203 of the Federal Land Policy and Management Act of 1976, at no less than fair market value as determined by an appraisal:

Parcel	Legal description	Fair market value	Sale type
I-21104	T. 10 S., R. 33 E., B.M., Sec. 17, NE¼SE¼, SW¼ (10 acres)	$2,000	Direct

When patented, the lands will be subject to the following reservations:

Parcel	Reservations
I-21104	Ditches and canals, oil and gas to U.S.

Continued use of the land by valid right-of-way holders is proper subject to the terms and conditions of the grant. Administrative responsibility previously held by the United States will be assumed by the patentee.

The previously described lands are hereby segregated from appropriation under the public land laws including the mining laws for a period of 270 days or until patent is issued, whichever comes first.

Sale Procedures

Sale parcel I-21104 is being offered directly to Luther Estep because of his past inadvertent use of the parcel.

Fair market value must be submitted and will constitute an application to purchase that portion of the mineral estate of no known value for the parcel. A thirty percent (30%) deposit must be submitted and an additional $50.000 non-returnable mineral conveyance processing fee is required. The filing fee and deposit must be paid by certified check, money order, bank draft, or cashiers check. Submittal will be rejected if accompanied by a personal check.

SUPPLEMENTARY INFORMATION: Detailed information concerning the conditions of the sale can be obtained by contacting Wes Duggan at (208) 766-4766 or Karl Simonson at (208) 678-5514.

For a peroid of 45 days from the date of publication of this notice in the **Federal Register**, interested parties may submit comments to the District Manager, Bureau of Land Management, Rt. 3, Box 1, Burley, Idaho 83318. Objections will be reviewed by the State Director who may sustain, vacate, or modify this realty action. In the absence of any objections, this realty action will become the final determination of the Department of Interior.

Dated: October 20, 1986.

John Davis,

District Manager, Burley.

[FR Doc. 86-24283 Filed 10-27-86; 8:45 am]

BILLING CODE 4310-GG-M

[NM-060-07-4322-02]

Roswell District Grazing Advisory Board; Meeting

AGENCY: Bureau of Land Management, Interior.

ACTION: Roswell District Grazing Advisory Council Meeting.

SUMMARY: This notice sets forth the schedule and proposed agenda of a forthcoming meeting of the Roswell District Grazing Advisory Board.

DATE: Tuesday, November 25, 1986, beginning at 10 a.m. A public comment period will be held following the last agenda item.

Location: BLM Roswell District Office, 1717 West Second St., Roswell, NM 88201.

FOR FURTHER INFORMATION CONTACT: David L. Mari, Associate District Manager, or Guadalupe Martinez, Public Affairs Specialist, Bureau of Land Management, P.O. Box 1397, Roswell, NM 88201, (505) 622-9042.

SUPPLEMENTARY INFORMATION: The proposed agenda will include: (1) Carlsbad RMP Completion; (2) Statewide Road Policy; (3) BLM/FS Land Exchange; (4) Status of FY 86 Range Improvement Projects; (5) Status of FY Range Improvement Projects; (6) Range Improvement Task Force (expenditure of 8100 funds); (7) Operation Respect; (8) Animal Damage Control Plan. The meeting is open to the public. Interested persons may make oral statements to the Council during the public comment period or may file written statements. Anyone wishing to make an oral statement should notify the Associate District Manager by November 14, 1986. Summary minutes will be maintained in the District Office and will be available for public inspection during regular business hours within 30 days following the meeting. Copies will be available for the cost of duplication.

Francis R. Cherry, Jr.,

District Manager.

[FR Doc. 86-24265 Filed 10-27-86; 8:45 am]

BILLING CODE 4310-FB-M

[Alaska AA-48414-CG]

Alaska; Proposed Reinstatement of a Terminated Oil and Gas Lease

In accordance with Title IV of the Federal Oil and Gas Royalty Management Act (Pub. L. 97-451), a petition for reinstatement of oil and gas lease AA-48414-CG has been received covering the following lands:

BLM/Potash

State of New Mexico

Office of the Governor

Bill Richardson
Governor

February 3, 2010

The Honorable Ken Salazar
Secretary of the Interior
United States Department of the Interior
1849 C Street NW
Washington, DC 20240-0002

Dear Secretary Salazar:

I am writing to thank you for your responsible stewardship of our public lands, and to request that the Department of Interior protect a unique resource that is as important to my state as it is to the rest of the country.

The 500,000-acre Known Potash Leasing Area (the Potash Area) in Southeast New Mexico is a major potash reserve in the United States, and contains the only known commercial langbeinite deposit in the world. As a bi-partisan group of Agriculture Committee Senators recently communicated, at a time when our nation's farmers must import nearly all the potash they use to grow crops, we should manage the Potash Area so we protect it from waste and so its resources are maximized. Consistent with that goal, Senator Jeff Bingaman has introduced legislation aimed at ending the current waste of potash in the Potash Area. Through improved and balanced management of the Potash Area – whereby the development of potash and oil and gas reserves are properly sequenced – we can maximize the production of all of these finite resources, increase the related royalties paid to the government, and create needed jobs that will boost New Mexico's economy.

In recent years, the Potash Area has been managed in a way that allowed oil and gas wells to be drilled in and near potash reserves before the potash is mined. As Sandia National Laboratories recently confirmed, because well bores can cause gas to migrate into potash mines, a wide safety buffer for the protection of potash miners must be left between the oil and gas wells and the potash mines, resulting in permanent wastes of otherwise mineable potash. However, since oil and gas reserves are found below potash deposits, they can be fully recovered after the potash is mined. By managing the Potash Area with this type of sequenced development as the BLM requires in Wyoming's trona (soda ash) fields, we can ensure that the production of these finite resources which are all so important to our local and national economies can be maximized to the greatest possible extent.

Sequencing development in the Potash Area so that potash mining and oil and gas drilling can both be conducted effectively would help the economy in other ways too. With proper sequencing of development of the resources, potash producers are poised to invest hundreds of millions of additional dollars and create hundreds of new high-paying jobs in order to fully develop Southeast New Mexico's potash reserves. Increased potash development would significantly benefit our nation's agricultural producers, and would also result in increased royalty payments to the state and federal governments.

Your leadership can ensure a balanced management strategy in the Potash Area that maximizes the development of our precious resources through sequenced development for the benefit of the state and the country. Thank you for your consideration.

Sincerely,

Bill Richardson

Bill Richardson
Governor of New Mexico

BR/fl

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EXECUTIVE SECRETARIAT

480663

ES

State of New Mexico

Office of the Governor

Bill Richardson
Governor

FACSIMILE TRANSMITTAL SHEET

TO: SECRETARY KEN SALAZAR
FROM: PETER K. PHIPPS
COMPANY: DOI
DATE: 2/3/10
FAX NUMBER: 202.208.6956
PHONE NUMBER: 505.476.2238
RE: KNOWN POTASH LEASING AREA
TOTAL NUMBER OF PAGES INCLUDING COVER: 3

☐ URGENT ☑ FOR REVIEW ☐ PLEASE COMMENT ☐ PLEASE REPLY ☐ PLEASE RECYCLE

NOTES/COMMENTS:

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BLM/Potash

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EXECUTIVE SECRETARIAT

514575

August 3, 2012

Honorable Kenneth L. Salazar
Secretary of the Interior
Department of the Interior
1849 C Street, N.W.
Washington, D.C. 20240

RE: Joint Committee Comments
Proposed Order of the Secretary of the Interior
Oil, Gas and Potash Leasing and Development Within the Designated Potash Area of Eddy and Lea Counties, New Mexico

Dear Mr. Secretary:

First of all, we sincerely appreciate your efforts to bring together the potash and oil and gas industries to promote the development of the invaluable resources found in Eddy and Lea Counties, New Mexico. As you will recall, there was consensus by both industries regarding what should be included in the proposed Order, as reflected in the Consensus Document submitted to you in April of this year. Pursuant to your directions, the Joint Industry Technical Committee (the "Committee") of the potash and oil and gas industries submitted comments to an early draft of the proposed new Order. However, when the proposed Order was issued, several meaningful revisions had been made. You requested comments on the Order published in the Federal Register on July 13, 2012 and the members of the Committee respectfully submit the following comments and revisions for your consideration:

1) Section 4.d provides that "Co-development may require that the development of the resources occur at different times and from different places." Co-development was the fundamental concept on which discussions about the new Order were based and the inclusion of any language that might provide the BLM with the ability to apply time restrictions on development was fully debated. There was consensus that neither the potash nor the oil and gas industry would propose such a provision. The new co-development definition, inserted in Section 4.d of the Order, could be utilized to term limit Drilling Islands and provide a vehicle to postpone or delay permits for drilling or mining operations. The Committee requests that Section 4.d be deleted in its entirety. Alternatively, at a minimum, the Committee requests that the last sentence of this section regarding co-development be deleted, as shown in Item 1 on Attachment 1 to this letter.

2) Section 6.e.(1)(c) of the Committee's draft was inserted to encourage BLM's approval of Drilling Islands and individual well sites where such Drilling Islands or well sites are jointly recommended by the oil and gas operator and the potash lessee(s) and was intended to support the use of private agreements. The proposed Order refers to single well sites only and does not refer to or otherwise encourage approval of Drilling Islands that are supported by the oil

and gas operator and potash lessee. It is important to be able to establish Drilling Islands as well as single well sites even if Development Areas are not established when both the oil and gas operator and the affected potash lessee support the proposal. The Committee requests amending Section 6.e.(1)(c) of the Order as shown in Item 2 on the Attachment I.

3) Section 6.e.(8)(c) providing for access to existing core data for oil and gas operators engaged in the design of core acquisition programs to prove an area to be barren of potash has also been changed. The responsibility of the BLM to provide the data was altered to "encourage . . .the owners of the records" to release the information. This amended language would allow the "owners of record" to withhold this vital data that the BLM has available. The Committee requests that Section 6.e.(8)(c) of your Draft be amended to include the language shown in Item 3 on the Attachment I.

4) The Committee's language in Sections 4.f. and 6.e.(2)(d)(i) provides that development areas will be established to "allow effective extraction of oil and gas resources while **managing** the impact on potash resources." This language has now been changed to provide that development areas will be established to "allow effective extraction of oil and gas resources while **limiting** the impact on potash resources." The Drilling Island and Development Area concepts contemplated under the recommended Secretarial Order balance the interests of both potash and oil and gas. Again, this language submitted by the Committee was thoroughly debated and the Committee's language was supported by both industries. The Committee recommends restoring the consensus language of the Committee as reflected in Item 4 on Attachment I.

5) The draft Order omits important notice requirements to some affected parties. The Committee recommends that all potash interests and those oil and gas and surface rights owners be given notice of proposed drilling. This could be accomplished by amending Section 6.e.(7) of the Order as shown in Item 5 on Attachment I.

The Joint Committee has worked very hard to accommodate the needs of both the potash industry and the oil and gas industry and to promote the timely and economic development of both resources. The revisions requested are fully supported by both the potash and oil and gas industries. Your consideration would be greatly appreciated.

Respectfully,

DJK:lg

Enclosure

ATTACHMENT I
Joint Committee Comments
Proposed Order of the Secretary of the Interior
Oil, Gas and Potash Leasing and Development Within the Designated Potash Area of Eddy and Lea Counties, New Mexico

ITEM 1:

Section 4 **Definitions.**

d. Co-development – The concurrent development of oil and gas and potash resources within the Designated Potash Area. Co-development is a cooperative effort between industries under the guidelines of this order, as regulated by the BLM, to support production of potash and oil and gas from the lands within the Designated Potash Area. ~~Co-development may require that the development of the resources occur at different times and from different places.~~

ITEM 2:

Section 6 **General Provisions.**

e. Oil and Gas Drilling

(1) Drilling within the Designated Potash Area.

(c) ~~a single well site established under this Order by the approval and in the sole discretion of the Authorized Officer, provided that such site was jointly recommended to the Authorized Officer by the oil and gas lessee(s) and the nearest potash lessee(s).~~a Drilling Island or single well site established under this Order by the authorization of the Authorized Officer, provided that such site was jointly recommended to the Authorized Officer by the oil and gas lessee(s) and the nearest potash lessee(s).

ITEM 3:

Section 6 **General Provisions.**

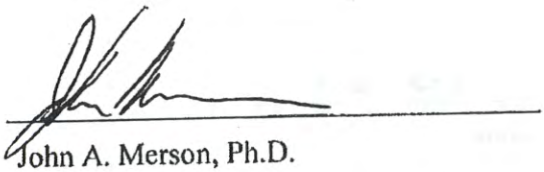
e. Oil and Gas Drilling

(8) Access to Maps and Surveys

(c) In order for an oil and gas or potash operator to establish and design a core acquisition program for the purposes of proving a Barren Area, those records of core analyses in the area of the planned program that are necessary to design that program should be provided in a timely fashion by the ~~owner of the records~~BLM to the operator of the planned program subject to the data management protocols as referenced in 6.e.(6)(c). ~~Record owners are encouraged to comply as fully as possible with this paragraph so that the best available science may be used to define Barren Areas.~~ The BLM will use all data available to it when delineating Barren Areas~~, even if some of the data was not available to the operator of the core acquisition program designed to prove the Barren Area~~.

Comments to the Draft Secretarial Order
Prepared by the Joint Industry Technical Committee

Concurring for Sandia National Laboratories:



8/3/12

John A. Merson, Ph.D.
Senior Manager
Geoscience Research and Applications Group
Sandia National Laboratories

Date

Comments to the Draft Secretarial Order
Prepared by the Joint Industry Technical Committee

Concurring for Intrepid Potash, Inc.:

John G. Mansanti
Senior Vice President of Operations

7-24-12
Date

Kevin J. Ryan
Director of Technical Services

7-24-12
Date

Comments to the Draft Secretarial Order
Prepared by the Joint Industry Technical Committee

Concurring for Mosaic Potash:

Daniel J. Morehouse
Mine Engineering Superintendent
Mosaic Potash Carlsbad Inc.

Aug 1, 2012
Date