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August 26, 1997

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Ignacio, Colorado 81137  
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Mr. William J. LeMay  
State of New Mexico  
Energy, Minerals and Natural Resources Department  
Oil Conservation Division  
2040 S. Pacheco  
Santa Fe, NM 87505-6429

Re: Thompson Engineering Blancett #2R  
Non-Standard Spacing Unit  
Downhole Commingling Application  
SESE Section 13, T30N-R12W  
San Juan County, NM

Gentlemen:

Maralex Resources, Inc. wishes to register its objection to the subject non-standard location-downhole commingling application on the grounds that correlative rights will not be protected if the application is approved.

Maralex operates coalbed methane wells to the east of the subject well. In addition, Maralex is planning to drill a coalbed methane well at a standard location in the NE of Section 24, T30N, R12W. That location is a direct 160-acre offset to the subject well. The proposed work would allow a 160-acre offset to begin draining reserves from two of Maralex's locations. If the proposed application is approved, Maralex's ability to recover the full 320-acre reserve allocation the State dictated for Fruitland wells, will be severely limited, especially from the location that has not yet been drilled. Furthermore, the approval of this application will enable the applicant to take advantage of our dewatering efforts without any obligation to pay for those efforts.

The applicant states that "(b)oth zones are expected to have very similar bottom hole pressures (approximately 350 psig from the Pictured Cliffs and the Fruitland Coal) so cross flow (sic) will not be a factor". However, Maralex believes (from information available in Sections 18, 19 and 30 of T30N, R11W and Section 24, T30N, R12W) that the actual bottomhole pressure of the Pictured Cliffs formation is much less than the 350 psig cited by the applicant. In addition, Fruitland Coal pressures are somewhat higher than the 350 psig the applicant presents. There could easily be more than a 200 psig differential between the depleted Pictured Cliffs formation and the Fruitland Coal formation. Therefore, if the proposed well is commingled, cross-flow from the Fruitland Coals to the Pictured Cliffs sands could allow desorption of gas from the coals to occur

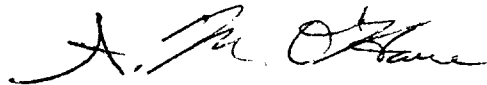
even if the well is shut in. This condition would enable the applicant to utilize the Pictured Cliffs formation as a storage reservoir during shut in times for plant, pipeline or other downtime conditions. Continued production from the Fruitland Coals into the Pictured Cliffs during field-wide downtime conditions would also infringe on correlative rights.

For the reasons cited above, Maralex strongly objects to the Thompson Engineering Blancett #2R application.

Please feel free to contact the undersigned at (970) 563-4000 for a further discussion of our objections to the proposed commingling/non-standard location.

Sincerely,

Maralex Resources, Inc.

A handwritten signature in black ink, appearing to read "A. M. O'Hare". The signature is fluid and cursive, with the first name "A." and last name "O'Hare" clearly distinguishable.

A. M. O'Hare, P.E.  
President

cc: Dennis Reimers  
Thompson Engineering