

## AFFIDAVIT

STATE OF COLORADO  
COUNTY OF DENVER

BEFORE EXAMINER STOGNER	
OIL CONSERVATION DIVISION	
EXHIBIT NO.	10274
CASE NO.	275
	276

Jennifer Ritcher, of lawful age and being first duly sworn, upon oath, deposes and says:

That she is familiar with the title affecting the land situated in San Juan County, New Mexico, described as follows:

Township 30 North, Range 12 West, N.M.P.M.  
Section 24: E1/2  
San Juan County, New Mexico

That based on a Title Opinion dated November 12, 1990, prepared by the law firm of Miller, Stratvert, Torgerson and Schlenker, P.A., an individual by the name of Enid M. (Neibaur) Price owns a 100% interest in the oil and gas leasehold estate as to the following described lands:

Township 30 North, Range 12 West, N.M.P.M.  
Section 24: SE1/4SE1/4  
From the surface to the base of the Fruitland Formation  
San Juan County, New Mexico

That she acquired her interest by Assignment dated July 1, 1959 by and between John J. Redfern, Jr. and wife Rosiland Redfern, Assignors and Enid M. (Neibaur) Price, Assignee.

That her address does not appear in any instrument filed of record in San Juan County and contained in the chain of title, and that I have made every effort to locate her and her heirs, successors and assigns through the following methods:

- a) I have contacted every Price and Neibaur in the Telephone Directory for Farmington, Aztec and Bloomfield.
- b) I have called directory assistance in Albuquerque and no listing exists for Enid M. Neibaur or Enid M. Price.
- c) I have asked The Estate of John Redfern and Rosiland Redfern to search their files for an address or any other information on Enid M. (Neibaur) Price.
- d) I have checked the tax records of San Juan County.

I am unable to locate Enid M. Neibaur Price or her heirs, successors or assigns.

Further affiant sayeth not.

*Jennifer Ritcher*  
Jennifer Ritcher, C.P.L.  
dated March 6, 1991

*Notary* STATE OF Colorado ss.  
COUNTY OF Denver

BEFORE ME, the undersigned, a Notary Public, in and for said County and State, on this 4th day of March, 1991, personally appeared Jennings Ritzler, to me known to be the identical person described in and who executed the within and foregoing instrument of writing and acknowledged to me that he duly executed the same as of her free and voluntary act and deed for the uses and purposes therein set forth.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed my notarial seal the day and year last above written.

My Commission Expires 12-31-92

Mary Ann Ritzler

May 11, 1990

BEFORE EXAMINER STOGNER  
518 17th St., Suite 1030  
Denver, Colorado 80202  
(303) 571-4220  
OIL CONSERVATION DIVISION

Mr. Norman L. Gilbreath  
Drawer 208  
Aztec, NM 87410

Re: T30N, R11 & 12W  
San Juan County, NM

Dear Mr. Gilbreath:

Reference is made to that certain Farmout Request Letter Agreement dated April 27, 1990 in the captioned area. Maralex Resources, Inc. (MARALEX) would like to clarify the following:

1. Paragraph No. 1 shall be reinstated in its entirety with the specific purpose of including the southeast quarter of Section 19, Township 30 North, Range 11 West, San Juan County, New Mexico.

2. Paragraph No. 4 shall be deleted and the following shall be inserted in its place:

MARALEX shall bear the entire cost, risk and expense of drilling, testing and completing the Test Well and of plugging and abandoning the Test Well, if a dry hole. Upon the date of first gas sales, MARALEX shall earn an assignment of ninety percent (90%) of your interest in the spacing unit. Norman L. Gilbreath shall retain a proportionate ten percent (10%) working interest and shall bear a proportionate ten percent (10%) of the overhead cost and all other operating costs attributable to the Test Well. At payout of the Test Well, MARALEX shall reassign to you an additional fifteen percent (15%), proportionately reduced working interest in the drillsite spacing unit and you shall bear a proportionate twenty-five percent (25%) of the overhead and all other operating costs attributable to the Test Well.

Payout shall be defined as that time at which the value of production from the Test Well, after deducting landowners' royalty, and all other lease burdens in existence on the date of first gas sales, operating costs and applicable taxes equals One

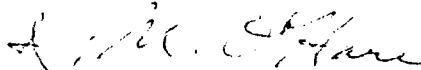
Hundred Percent (100%) of all costs incurred by MARALEX for the drilling, testing, completing and equipping of the Test Well. If, and when, MARALEX recovers the amounts aforesaid, MARALEX, by not later than the first Monday of the month following "payout", shall notify you that payout has been achieved and you shall have the right to examine MARALEX'S books and records to verify and confirm such amounts, as well as the date of payout. MARALEX agrees, upon completion of the Test Well as a commercial producer, to furnish you a written statement reflecting the costs to be recovered under the foregoing provision and thereafter a monthly statement reflecting the progress of recovery of such costs.

3. Paragraph No. 12 shall be amended to provide that the Joint Operating Agreement shall go into effect at the date of first gas sales of the Initial Test Well and Option Test Wells rather than payout of the Initial Test Well and Option Test Wells.

All other terms and conditions of the Farmout Letter Agreement dated April 27, 1990 shall remain unchanged.

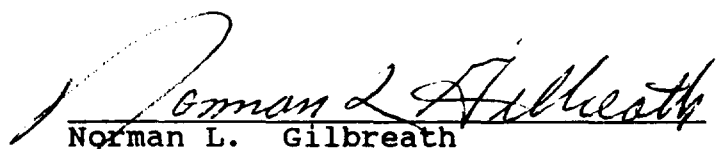
If the foregoing amendments and clarifications are acceptable to you, please so indicate by executing in the space provided below and return one (1) copy of this letter to the undersigned.

Sincerely,



A. M. O'Hare, P.E.  
President  
Maralex Resources, Inc.

Agreed to and accepted this 6 day of June, 1990.



Norman L. Gilbreath

JAR/AMO/mo

April 27, 1990

Mr. Norman L. Gilbreath  
Drawer 208  
Aztec, NM 87410

Re: Farmout and Continuous  
Option Farmout Request  
T30N, ~~R11~~-12W  
San Juan County, New Mexico

Dear Mr. Gilbreath:

Maralex Resources, Inc. (Maralex) proposes the drilling of a 2,200 foot Basal Fruitland Coal test well to be located in the NE/4 of Section 19, T30N, R11W, San Juan County, New Mexico, hereinafter referred to as "Initial Test Well". In support of our test, Maralex requests a Farmout and Continuous Option Farmout of your interest in the lands described in Paragraph 1, below, and hereinafter referred to as "Farmout Lands", on the following general terms and conditions:

1. The Farmout Lands shall include the following:

Township 30 North, Range 12 West  
Section 13: East half (E/2)  
Section 24: Northeast quarter (NE/4)  
San Juan County, New Mexico

~~N2E1~~ Township 30 North, Range 11 West  
~~Section 19: Southeast quarter (SE/4)~~  
~~San Juan County, New Mexico~~

2. The Initial Test Well shall be drilled to a depth of 2,200 feet or to a depth sufficient to test the Basal Fruitland Coal Formation, whichever is the lesser depth.

3. Maralex shall commence or cause to be commenced the drilling of the Initial Test Well within sixty (60) days from the date of final execution by Norman L. Gilbreath and Maralex of a mutually acceptable formal Farmout Agreement. Should Maralex be unable to obtain the required drilling permits from the necessary regulatory agencies, or is unable to secure the necessary right-of-ways from surface owners,

Norman L. Gilbreath shall grant an extension for the commencement of, or allow Maralex to move the location of the Initial Test Well.

4. Upon Maralex completing the drilling of the Initial Test Well as a producer, Maralex shall earn ninety percent (90%) of your interest in the drillsite spacing unit with Norman L. Gilbreath retaining a proportionate ten percent (10%) working interest through payout. Upon payout Norman L. Gilbreath shall back in for an additional proportionate working interest in the Initial Test Well of fifteen percent (15%).

5. If the Initial Test Well is a dry hole or is incapable of producing in paying quantities, Maralex shall earn seventy-five percent (75%) of your interest in the drillsite spacing unit.

6. By drilling the Initial Test Well and completing it as a producer or abandoning it as a dry hole, Maralex shall earn the option but not the obligation, for a period of sixty (60) days from drilling rig release of the Initial Test Well to commence or cause to be commenced a similar test, hereinafter referred to as "Option Test Well", on an undrilled drillsite spacing unit within the Farmout Lands which would include all or a portion of your acreage within the drillsite spacing unit. Maralex shall diligently drill said Option Test Well to a depth of 2,200 feet or to a depth sufficient to test the Basal Fruitland Coal Formation, whichever is the lesser depth. The earning provisions for the Option Test Well shall be the same as those provided in Paragraphs 4 and 5 herein for the Initial Test Well but shall apply to the particular drillsite spacing unit which is drilled.

7. By drilling the Option Test Well and completing it as a producer or abandoning it as a dry hole, Maralex shall earn the option but not the obligation, for a period of sixty (60) days from drilling rig release of the Option Test Well to commence, or cause to be commenced, additional Option Test Wells on undrilled spacing units within the Farmout Lands which would include all or a portion of your acreage within the drillsite spacing unit. The earning provisions for each Option Test Well shall be the same as provided in Paragraphs 4 and 5 herein but shall apply to the particular drillsite spacing unit. This right shall be a continuing right and shall remain in effect until all of the Farmout Lands have been drilled.

8. For the purpose of this Agreement, the drillsite spacing unit shall be comprised of approximately 320.00 gross acres.

9. All rights earned and retained shall be proportionately reduced and shall be limited to the stratigraphic equivalent of the Basal Fruitland Coal Formation drilled in the Initial Test or Option Test Wells.

10. Maralex agrees to drill the Initial Test Well and the Option Test Wells prior to the expiration of the Section 29, Nonconventional Fuel Tax Credit, or any extension of the tax credit period.

11. All cost, risk and expense associated with the drilling, testing and completing and/or plugging and abandoning of the Initial Test Well and Option Test Wells shall be borne by Maralex. Norman L. Gilbreath shall receive all geologic and production data obtained by the drilling of these wells.

12. Maralex and Norman L. Gilbreath agree to enter into a formal Farmout Agreement covering the Farmout Lands. Maralex and Norman L. Gilbreath agree to enter into an AAPL Model Form 610 Joint Operating Agreement (1982) with an attached COPAS Accounting Procedure and Gas Balancing Agreement. Said Joint Operating Agreement shall go into effect upon payout of the Initial Test Well and Option Test Wells. Maralex shall be designated Operator of the Initial Test Well and Option Test Wells. However, Norman L. Gilbreath shall retain the right to provide the pumping services for the producing wells drilled on the Farmout Lands.

13. This Farmout and Continuous Option Farmout is subject to approval by Maralex of title and assumes that the interests owned in each of the Farmout Lands is as set forth in Exhibit A attached hereto and made a part hereof. Any differences between this schedule and actual ownership may result in a change in this proposal.

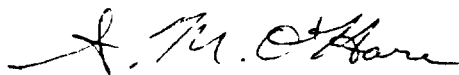
14. This Farmout and Continuous Option Farmout is also subject to receiving necessary farmouts, participation, or pooling of all other interests in each drillsite spacing unit.

15. The liability for failure to commence and drill the

Initial Test Well or Option Test Wells shall be limited to the loss of opportunity to earn the interest hereinabove described.

This letter shall not survive a formal contract which shall incorporate the terms and conditions contained herein. If the terms of this Agreement are acceptable to you, please so indicate by executing in the space provided below and return one (1) copy of this letter to the undersigned on or before May 7, 1990. This Agreement shall be null and void after that time.

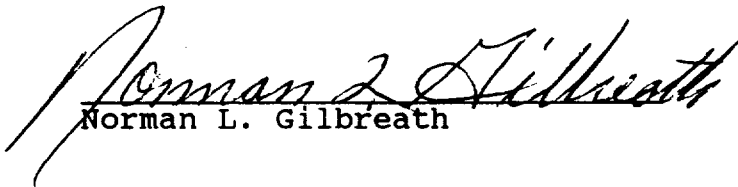
Sincerely,



A. M. O'Hare, P.E.  
President  
Maralex Resources, Inc.

AMO/mo

Agreed to and accepted this 3 day of May, 1990.

  
Norman L. Gilbreath