

CASE 10273: Application of Jack A. Cole for designation of a tight formation, San Juan, Rio Arriba, and Sandoval Counties, New Mexico. Applicant, in the above-styled cause, seeks the designation of the Gallup formation underlying portions of Townships 23 and 24 North, Ranges 6, 7, and 8 West, containing 81,920 acres, more or less, as a "Tight Formation" pursuant to Section 107 of the Natural Gas Policy Act of 1978 and 18 C.F.R. Section 271.701-705. Said area surrounds the Lybrook and Counselor, New Mexico region.

CASE 10274: Application of Maralex Resources, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying Lots 1 and 2, NE/4 and E/2 NW/4 (N/2 equivalent) of Section 18, Township 30 North, Range 11 West, forming a standard 326.01-acre gas spacing and proration unit for said pool. Said well is to be dedicated to either the existing B.H. Keyes and M.M. Keys Trust Brimhall Well No. 1 to be recompleted up-hole from the Aztec-Pictured Cliffs Pool to said coal gas zone located at a standard coal gas well location 990 feet from the North and East lines (Unit A) of said Section 18 or, if said Brimwell Well No. 1 is not found to be mechanically sound, to a new well to be drilled at a standard coal gas well location in the NE/4 of said Section 18. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 1.5 miles south of the Aztec, New Mexico Municipal Airport.

CASE 10275: Application of Maralex Resources, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying Lots 1 and 2, NE/4, E/2 NW/4 of Section 19, Township 30 North, Range 11 West, forming a standard 327.10-acre gas spacing and proration unit for said pool. Said well is to be dedicated to a well to be drilled at a standard coal gas well location in the NE/4 of said Section 19. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 2.5 miles south of the Aztec, New Mexico Municipal Airport.

~~CASE 10276:~~ Application of Maralex Resources, Inc. for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Basin-Fruitland Coal Gas Pool underlying the E/2 of Section 24, Township 30 North, Range 12 West, forming a standard 320-acre gas spacing and proration unit for said pool. Said well is to be dedicated to a well to be drilled at a standard coal gas well location in the NE/4 of said Section 24. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said unit is located approximately 2 miles east of Flora Vista, New Mexico.

CASE 10233: (Continued from March 7, 1991, Examiner Hearing.)

Application of Mobil Exploration & Producing Company for approval of salt water disposal, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority to dispose of produced salt water into the South Vacuum Devonian Pool, in the open hole interval from approximately 11,800 feet to 13,970 feet in its State Section 27 Well No. 1 located 660 feet from the North line and 1983 feet from the East line (Unit B) of Section 27, Township 18 South, Range 35 East. Said well is located approximately 5 miles east of the old Hobbs Army Air Corps Auxiliary Airfield No. 4.

CASE 9582: (Reopened and Continued)

In the matter of Case 9582 being reopened pursuant to the provisions of Division Order No. R-8872, which order promulgated special rules and regulations for the Hat Mesa-Bone Spring Pool in Lea County, New Mexico, including provisions for 80-acre spacing and proration units and designated well location requirements. Operators in said pool may appear and show cause why the temporary rules for the Hat Mesa-Bone Spring Pool should not be rescinded.

CASE 10277: In the matter of the hearing called by Oil Conservation Division on its own motion for an order creating, assigning a discovery allowable and extending certain pools in Lea County, New Mexico.

- (a) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Queen production and designated as the Buffalo-Queen Pool. In addition, the discovery well for said Buffalo-Queen Pool, the Harvey E. Yates Company Atlantic 32 State Well No. 1 located in Unit C of Section 32, Township 18 South, Range 33 East, is entitled to and should receive a bonus discovery allowable in the amount of 22,100 barrels of oil to be assigned over a two year period. Said pool would comprise:

TOWNSHIP 18 SOUTH, RANGE 33 EAST, NMPM  
Section 32: NW/4

- (b) CREATE a new pool in Lea County, New Mexico, classified as an oil pool for Tubb production and designated as the South Fowler-Tubb Pool. The discovery well is the Chevron USA Inc. Plains Knight Well No. 2 located in Unit N of Section 23, Township 24 South, Range 37 East, NMPM. Said pool would comprise:

TOWNSHIP 24 SOUTH, RANGE 37 EAST, NMPM  
Section 23: SW/4

# HINKLE, COX, EATON, COFFIELD & HENSLEY

RECEIVED

ATTORNEYS AT LAW

500 MARQUETTE N.W., SUITE 800

ALBUQUERQUE, NEW MEXICO 87102-2121

(505) 768-1500

FAX (505) 768-1529

OF COUNSEL

O. M. CALHOUN\*

MACK EASLEY

JOE W. WOOD

RICHARD S. MORRIS

CLARENCE E. HINKLE (1901-1985)

W. E. BONDURANT, JR. (1913-1973)

ROY C. SNOODGRASS, JR. (1914-1987)

April 10, 1991

700 UNITED BANK PLAZA

POST OFFICE BOX 10

ROSWELL, NEW MEXICO 88202

(505) 622-6510

FAX (505) 623-9332

2800 CLAYDESTA NATIONAL BANK BUILDING

POST OFFICE BOX 3580

MIDLAND, TEXAS 79702

(915) 683-4691

FAX (915) 683-6518

1700 TEAM BANK BUILDING

POST OFFICE BOX 9238

AMARILLO, TEXAS 79105

(806) 372-5569

FAX (806) 372-9761

218 MONTEZUMA

POST OFFICE BOX 2068

SANTA FE, NEW MEXICO 87504

(505) 982-4554

FAX (505) 982-8623

LEWIS C. COX  
PAUL W. EATON  
CONRAD E. COFFIELD  
HAROLD L. HENSLEY JR.  
STUART D. SHANOR  
ERIC D. LANPHERE  
C. D. MARTIN  
PAUL J. KELLY JR.  
MARSHALL G. MARTIN  
OWEN M. LOPEZ  
DOUGLAS L. LUNSFORD  
JOHN J. KELLY  
T. CALDER EZZELL JR.  
WILLIAM B. BURFORD\*  
RICHARD E. OLSON  
RICHARD R. WILFONG\*  
THOMAS J. MCBRIDE  
STEVEN D. ARNOLD  
JAMES J. WECHSLER  
NANCY S. CUSACK  
JEFFREY L. FORNACIARI  
JEFFREY D. HEWETT  
JAMES BRUCE  
JERRY F. SHACKELFORD\*  
JEFFREY W. HELLBERG\*  
ALBERT L. PITTS  
THOMAS M. HNASKO  
JOHN C. CHAMBERS\*  
MICHAEL A. GROSS  
THOMAS D. HAINES, JR.

FRANKLIN H. MCCALLUM\*  
GREGORY J. NIBERT  
DAVID T. MARKETTE\*  
MARK C. DOW  
KAREN M. RICHARDSON  
FRED W. SCHWENKMAN  
JAMES M. HUDSON

STANLEY K. KOTOVSKY JR.  
BETTY H. LITTLE\*  
JEFFREY S. BAIRD\*  
RUTH S. MUSGRAVE  
HOWARD R. THOMAS  
PATRICIA A. WATTS  
MACDONNELL GORDON  
REBECCA NICHOLS JOHNSON  
WILLIAM R. JOHNSON  
ELLEN S. CASEY  
S. BARRY PAISNER  
MARGARET CARTER LUDEWIG  
MARTIN MEYERS  
GREGORY S. WHEELER  
ANDREW J. CLOUTIER  
JAMES A. GILLESPIE  
GARY W. LARSON  
STEPHANIE LANDRY  
JOHN R. KULSETH, JR.  
LISA K. SMITH\*

\*NOT LICENSED IN NEW MEXICO

Mr. Michael E. Stogner  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87504

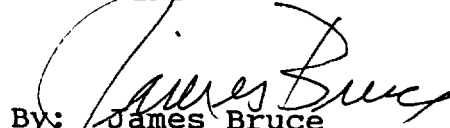
Re: Applications of Maralex Resources, Inc. for Compulsory  
Pooling, Case Nos. 10,274, 10,275, and 10,276

Dear Mr. Stogner:

As requested at the hearing, enclosed are Affidavits  
regarding notice given in each of the three cases, together with  
originals of the certified return receipts. Please call me if  
you need anything further.

Very truly yours,

HINKLE, COX, EATON, COFFIELD &  
HENSLEY

By:  James Bruce

JB:le  
Enclosures

BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION

APPLICATION OF MARALEX RESOURCES,  
INC. FOR COMPULSORY POOLING,  
SAN JUAN COUNTY, NEW MEXICO.

No. 10,276

AFFIDAVIT REGARDING NOTICE

STATE OF COLORADO     )  
                              ) ss.  
COUNTY OF DENVER     )

Jennifer Ritcher, being duly sworn upon her oath,  
deposes and states:

1. I am over the age of 18 and have personal  
knowledge of the matters stated herein.

2. I am the landman for Applicant herein.

3. Applicant has conducted a good faith,  
diligent effort to find the correct address of interested  
persons entitled to receive notice of the Application  
herein.

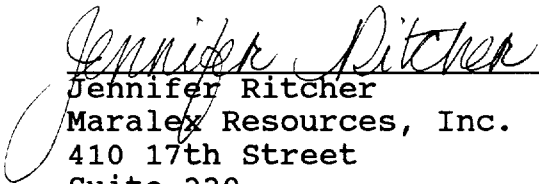
4. The parties entitled to receive notice of  
this case are:

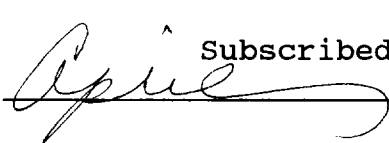
Texaco Producing Inc.  
Mesa Limited Partnership  
Norman L. and Loretta E. Gilbreath  
Glen Dial, Jr.  
Southland Royalty Company, c/o Meridian Oil  
Inc.  
Enid M. Neibaur Price (address unknown)

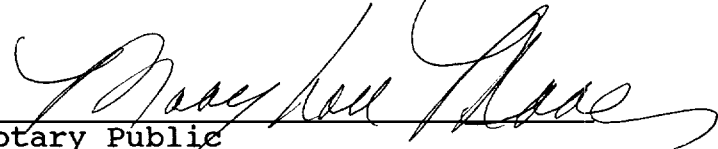
5. Notice of the Application herein was provided  
to said persons (except for Enid M. Neibaur Price) at their  
correct or last known address by the letter attached hereto  
as Exhibit A, as required by Rule 1207. The original  
certified return receipts are attached hereto as Exhibit B.

6. The notice provisions of Rule 1207 have been complied with.

7. Enid M. Neibaur Price and Glen Dial, Jr. were served with notice of this Application by publication pursuant to Division Rules 1204, 1205, and 1206.

  
Jennifer Ritcher  
Maralex Resources, Inc.  
410 17th Street  
Suite 220  
Denver, Colorado 80202

 Subscribed and sworn to before me this 8th day of April, 1991, by Jennifer Ritcher.

  
Notary Public

My commission expires:

12-31-92

February 25, 1991

CERTIFIED MAIL

TO: All Working Interest Owners  
Unleased Mineral Owners  
Royalty Owners not  
Subject to Pooling  
Clauses (See attached Exhibit "A")

RE: Compulsory  
Pooling  
T30N-R12W,  
Sec. 24: E1/2  
T30N-R11W,  
Sec. 19: N1/2  
San Juan Co.,  
New Mexico

To Whom It May Concern:

You are hereby notified that on February 25, 1991, Maralex Resources, Inc. filed an Application with the State of New Mexico Energy, Minerals and Natural Resources Department, Oil Conservation Division for an order authorizing the compulsory pooling under Section 70-2-17 NMSA 1978, as amended, of uncommitted owners of interests in the captioned spacing units. Our records indicate that you own an uncommitted interest in one of the captioned spacing units.

Maralex proposes to locate a possible re-entry or new well in the NE1/4 of Section 24, Township 30 North, Range 12 West and a new well in the NE1/4 of Section 19, Township 30 North, Range 11 West. Both wells will be drilled to a depth sufficient to test the Basin Fruitland Coal Formation and the pooling shall cover from the surface to the base of the Basin Fruitland Coal Formation.

You are further notified that the matter will be heard by the State of New Mexico Energy, Minerals and Natural Resources Department, Oil Conservation Division, 310 Old Santa Fe Trail, Santa Fe, New Mexico 87503 on Thursday, the 21st of March, 1991 at 8:15 A. M. Failure to appear at that time will preclude you from contesting at a later date.

Sincerely,

Jennifer Ritcher  
Landman

|                           |  |
|---------------------------|--|
| BEFORE EXAMINER STOGNER   |  |
| OIL CONSERVATION DIVISION |  |
| EXHIBIT NO. _____         |  |
| CASE NO. <u>10274-76</u>  |  |

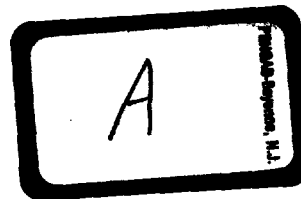


EXHIBIT "A"

Attached to and made a part of that certain Letter dated February 25, 1991, from Maralex Resources, Inc.

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

N1/2 Section 19, T30N-R11W

El Paso Production Company  
c/o Meridian Oil Inc.  
3535 East 30th St.  
P. O. Box 4289  
Farmington, New Mexico 87499-4289

Caprock Energy Company  
P. O. Drawer 208  
Aztec, New Mexico 87410  
Norman L. Gilbreath

Koch Exploration Company  
P. O. Box 2256  
4111 E. 37th Street N.  
Wichita, Kansas 67220

Snyder Operating Partnership, L. P.  
1801 California Street, Suite 3500  
Denver, Colorado 80202

Thomas M. & Donita Fisher  
P. O. Box 188  
Shiprock, New Mexico 87420

Cecil C. Cast & Gladys Cast  
P. O. Box 1717  
Bloomfield, New Mexico 87413

Clement Koogler, Elise Koogler, Josephine Koogler  
307 Animas  
Aztec, New Mexico 87410

Henry J. Young, Jr. and Walta Grace Young  
P. O. Box 92  
Aztec, New Mexico 87410

Bradley H. Keyes & Margaret N. Keyes Trust c/o Lonnie R.  
Cunningham, Trustee  
29 County Road 3008  
Aztec, New Mexico 87410

E1/2 Section 24, T30N-R12W

Norman L. Gilbreath & Loretta E. Gilbreath  
P. O. Drawer 208  
Aztec, New Mexico 87410

Mesa Limited Partnership P. O. Box 2009  
One Mesa Square  
Amarillo, Texas 79189-2009  
Attn: Hank Wood

Texaco Exploration and Production, Inc.  
P. O. Box 2100  
4601 DTC Blvd.  
Denver, Colorado 80237  
Attn: Chuck Snure

Southland Royalty  
El Paso Production Company  
c/o Meridian Oil Inc.  
3535 East 30th St.  
P. O. Box 4289  
Farmington, New Mexico 87499-4289  
Attn: Kent Beers

Glen Dial, Jr.  
P. O. Box 15074  
Lakewood, Colorado 80215

Enid M. Neibaur Price  
Address Unknown

Denver and Rio Grande Western Railroad  
c/o The Anschutz Corporation  
555 17th Street  
Denver, Colorado 80202  
Attn: Pam Kalstrom

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
TEXACO Expl. & Prod.  
P.O. Box 2100  
4601 DTC Blvd.  
Denver, CO 80237  
Chuck Snure

4. Article Number  
P 685 520 515

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☒ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Addressee  
X

6. Signature — Agent  
X *Chuck Snure*

7. Date of Delivery  
2-26-91

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Apr. 1989 \*U.S.G.P.O. 1989-238-815 **DOMESTIC RETURN RECEIPT**

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
Mesa Ltd. Ptnshp.  
P.O. Box 2009  
One Mesa Square  
Amarillo TX 79189-2009  
Hank Wood

4. Article Number  
P 685 520 547

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☒ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Addressee  
X

6. Signature — Agent  
X *Roy B. ...*

7. Date of Delivery  
FEB 28 1991

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Apr. 1989 \*U.S.G.P.O. 1989-238-815 **DOMESTIC RETURN RECEIPT**

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
Norman L. + Loretta E. Gilbreath  
P.O. Drawer 208  
Aztec, NM 87410

4. Article Number  
P 685 520 516

Type of Service:  
☐ Registered ☐ Insured  
☒ Certified ☐ COD  
☐ Express Mail ☒ Return Receipt for Merchandise

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Addressee  
X *Loretta Gilbreath*

6. Signature — Agent  
X

7. Date of Delivery

8. Addressee's Address (ONLY if requested and fee paid)

PS Form 3811, Apr. 1989 \*U.S.G.P.O. 1989-238-815 **DOMESTIC RETURN RECEIPT**



**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

|   |  |
|---|--|
| 3. Article Addressed to:<br>Southland Royalty<br>El Paso Production Co<br>Meridian Oil, Inc.<br>3535 E. 30th St.<br>Box 4289<br>Farmington, NM 87499-4289 | 4. Article Number<br>P685 520 514  |
| 5. Signature - Addressee<br>X   | Type of Service:<br><input type="checkbox"/> Registered <input type="checkbox"/> Insured<br><input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD<br><input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise |
| 6. Signature - Agent<br>X <i>[Signature]</i>  | Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .  |
| 7. Date of Delivery<br>3-5-91   | 8. Addressee's Address (ONLY if requested and fee paid)  |

PS Form 3811, Apr. 1989

★ U.S.G.P.O. 1989-238-815

DOMESTIC RETURN RECEIPT

Is your RETURN ADDRESS completed on the reverse side?

**SENDER:** Complete items 1 and 2 when additional services are desired, and complete items 3 and 4.  
Put your address in the "RETURN TO" Space on the reverse side. Failure to do this will prevent this card from being returned to you. The return receipt fee will provide you the name of the person delivered to and the date of delivery. For additional fees the following services are available. Consult postmaster for fees and check box(es) for additional service(s) requested.

1. ☐ Show to whom delivered, date, and addressee's address. (Extra charge) 2. ☐ Restricted Delivery (Extra charge)

|   |  |
|---|--|
| 3. Article Addressed to:<br>Glendial, Jr.<br>P.O. Box 15074<br>Lakewood, CO 80215 | 4. Article Number<br>P685 520 513  |
| 5. Signature - Addressee<br>X   | Type of Service:<br><input type="checkbox"/> Registered <input type="checkbox"/> Insured<br><input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD<br><input type="checkbox"/> Express Mail <input checked="" type="checkbox"/> Return Receipt for Merchandise |
| 6. Signature - Agent<br>X   | Always obtain signature of addressee or agent and <u>DATE DELIVERED</u> .  |
| 7. Date of Delivery   | 8. Addressee's Address (ONLY if requested and fee paid)  |

PS Form 3811, Apr. 1989

★ U.S.G.P.O. 1989-238-815

DOMESTIC RETURN RECEIPT

Thank you for using  
Return Receipt Service.

OIL CONSERVATION DIVISION  
RECEIVED

'91 FEB 25 PM 1 39



February 25, 1991

518 17th St., Suite 1030  
Denver, Colorado 80202  
(303) 571-4220

State of New Mexico  
Energy, Minerals &  
Natural Resources Dept.  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87504  
Attn: Mr. Michael Stogner

RE: Compulsory Pooling  
Applications  
March 21, 1991  
Docket

Case 10276

Dear Mr. Stogner:

Per our telephone conversation of February 22, 1991, I request that you include the following applications for Compulsory Pooling of the ~~Basin~~ Fruitland Coal Formation in the advertisement for the March 21, 1991 hearing. It is my understanding that the information contained in this letter is all that will be needed for the February 26, 1991, 5:00 P. M. deadline to include these applications on the docket. The formal applications shall be forwarded to your office within a week.

Applicant Name: Maralex Resources, Inc.

Drillsite Spacing Units to be pooled:

Township 30 North, Range 12 West, Section 24: E1/2  
Township 30 North, Range 11 West, Section 19: N1/2  
Township 30 North, Range 11 West, Section 18: N1/2,  
(previously heard Case #10112, Order #R-9356)

Maralex does not expect these applications to be opposed and requests administrative approval of same.

Thank-you for your assistance in this matter. Please let me know if you need any additional information.

Sincerely,

*Jennifer Ritcher*  
Jennifer Ritcher, C.P.L.  
Landman

*to be drilled to a well to be drilled at a standard  
and gas well location in the NE 1/4*

*and is located approximately 2 miles east of  
of Mora Verde, New Mexico*



Fax: (303) 571-4225

518 17th St., Suite 1030  
Denver, Colorado 80202  
(303) 571-4220FACSIMILE TRANSMISSIONDATE: 2-25-91 TIME: 10:302 PAGE(S) INCLUDING COVER PAGETO: Michael Stogner  
COMPANY: New Mexico OCD  
TELEPHONE: 505-827-5800 EXT: \_\_\_\_\_  
FAX: 505-827-5741FROM: Jennifer Ritcher - MaralexCOMMENTS: Please let me know if you  
need any additional information.

PLEASE CALL THE WRITER IF COMPLETE DOCUMENT IS NOT RECEIVED

Document No. \_\_\_\_\_  
Document Name: \_\_\_\_\_

Sec. 24 Township No. 30 North of Range No. 12 West

*Standard 640  
acre Section*

|   |   |  |   |
|---|---|--|---|
|   |   |  |   |
|   | <p>Norman L. Gilbreath<br/>Blancett Well No. 1<br/>2230' FNL - 2000' FFL<br/>Spud: 8/20/61<br/>Baker Petroleum Co.<br/>Completion</p> |  | <p>John B. Polakoff<br/>Blancett No. 1<br/>1750' FNL - 540' FFL<br/>Spud: 12/52<br/>Pictured Cliffs</p> |
| <p>Meridian Oil Inc.<br/>Jose Jaquez Well No. 1<br/>2060' FNL - 1480' FFL<br/>Spud: 3/27/62<br/>Baker Petroleum Co.</p> |   |  | <p>Test<br/>Prod: 1955</p>  |
|   |   |  |   |



STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

BRUCE KING  
GOVERNOR

February 26, 1991

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87504  
(505) 827-5800

Maralex Resources, Inc.  
518 17th Street  
Suite 1030  
Denver, Colorado 80202

*Case 10276*

*ATTN: Jennifer Ritcher*

*RE: Three Compulsory Pooling Applications  
Basin Fruitland Coal Gas Pool  
San Juan County, New Mexico*

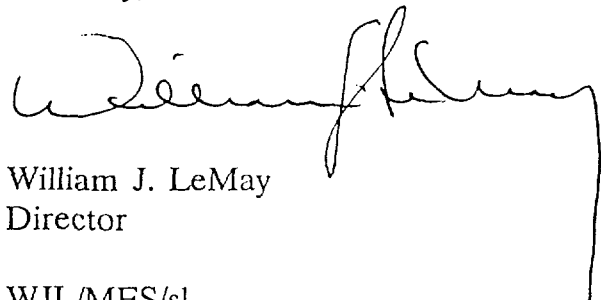
Dear Mr. Ritcher:

The three subject applications have been docketed for the March 21, 1991 Examiners Hearing, it was noted that you expected no objections to these filings and requested that they be considered "administratively", I assume you meant under the provisions of General Rules 1207.1.(ii).

Due to recent problems with this procedure in previous cases, and because of due process requirements, we are not considering any applications for compulsory pooling by this "administrative" process. Therefore, your applications will only be considered after the normal hearing process where evidentiary testimony is received.

Should you have any questions concerning this matter, please contact the Division's General Council, Robert G. Stovall.

Sincerely,



William J. LeMay  
Director

WJL/MES/sl



518 17th St., Suite 1030  
Denver, Colorado 80202  
(303) 571-4220

March 6, 1991

*Case 10276*

FEDERAL EXPRESS

State of New Mexico  
Energy, Minerals & Natural Resources  
Department, Oil Conservation  
Division  
310 Old Santa Fe Trail  
Santa Fe, New Mexico 87501  
Attn: Mr. William J. Lemay

RE: Application  
for Compulsory  
Pooling  
T30N-R11W  
Sec. 19:N/2  
T30N-R12W  
Sec. 24:E/2  
San Juan Co.,  
New Mexico

Dear Mr. Lemay:

Please find enclosed Maralex Resources, Inc.'s formal application for compulsory pooling for the captioned drillsite spacing units. These have been placed on the docket for the March 21, 1991 hearing. The formal application for the spacing unit in the N1/2 of Section 18, Township 30 North, Range 11 West shall be forthcoming. Thank-you for your consideration in this matter.

Sincerely,

RECEIVED

MAR 7 1991

OIL CONSERVATION DIVISION

*Jennifer Ritcher*  
Jennifer Ritcher, C. P. L.  
Landman



OIL CONSERVATION DIVISION  
RECEIVED

'91 MAR 12 AM 8 47

518 17th St., Suite 1030  
Denver, Colorado 80202  
(303) 571-4220

March 8, 1991

State of New Mexico  
Energy, Minerals and Natural  
Resources Department  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87504  
Attn: William J. Lemay

RE: Compulsory Pooling  
N/2 Section 19, T30N-R11W  
E/2 Section 24, T30N-R12W  
San Juan Co., New Mexico

Gentlemen:

Reference is made to Maralex's formal application for compulsory pooling submitted under cover letter dated March 6, 1991. The Exhibit "3" and Exhibit "6" submitted with the application were incomplete. Please find enclosed completed Exhibits "3" and "6".

Thank-you for your cooperation in this matter.

Sincerely,

A handwritten signature in cursive script that reads 'Jennifer Ritcher'.

Jennifer Ritcher, C. P. L.  
Landman

Exhibit "3"

SCOTT POST RECOMPLETION ECONOMICS

|          | Initial<br>Rate      | Init<br>WI            | Initial<br>NRI     | Decline<br>Rates    | Init Oil<br>Price      | Init Gas<br>Price      | Price<br>Escalator  | End 1st<br>Yr. Rate | Peak<br>Gas Rate |
|----------|----------------------|-----------------------|--------------------|---------------------|------------------------|------------------------|---------------------|---------------------|------------------|
| BOPD     | 0                    | 0.98                  | 0.750              | Effective           | 18.00                  | 1.20                   | 1.06                | 0.00                |                  |
| MCFD     | 100.00               |                       |                    | 0.050               |                        |                        |                     | 199.37              | 200.00           |
|          |                      |                       |                    | Nominal             |                        |                        |                     |                     |                  |
|          |                      |                       |                    | 0.951               |                        |                        |                     |                     |                  |
|          | GOR                  | Final<br>WI           | Final<br>NRI       | Months<br>in Yr 1   | Severance<br>Tax Rate  | Op Cst<br>\$/Mo        | Cost<br>Escalator   | Capital<br>Costs    |                  |
|          | 0                    | 0.60                  | 0.775              | 12.00               | 0.04                   | 2.00                   | 1.05                | 235.75              |                  |
| Year     | Gross<br>Prod<br>MBO | Gross<br>Prod<br>MMCF | NET<br>Prod<br>MBO | NET<br>Prod<br>MMcf | OIL<br>Price<br>\$/Bbl | GAS<br>Price<br>\$/Mcf | Gross<br>Revenue    | Tax<br>Credit       |                  |
| 1991     | 0.00                 | 52.57                 | 0.00               | 37.00               | 18.00                  | 1.20                   | 44.40               | 0.00                |                  |
| 1992     | 0.00                 | 73.00                 | 0.00               | 51.38               | 19.08                  | 1.27                   | 65.35               | 0.00                |                  |
| 1993     | 0.00                 | 71.21                 | 0.00               | 50.12               | 20.22                  | 1.35                   | 67.57               | 0.00                |                  |
| 1994     | 0.00                 | 67.73                 | 0.00               | 47.67               | 21.44                  | 1.43                   | 68.13               | 0.00                |                  |
| 1995     | 0.00                 | 64.43                 | 0.00               | 45.35               | 22.72                  | 1.51                   | 68.70               | 0.00                |                  |
| 1996     | 0.00                 | 61.29                 | 0.00               | 43.14               | 24.09                  | 1.61                   | 69.27               | 0.00                |                  |
| 1997     | 0.00                 | 58.30                 | 0.00               | 41.03               | 25.53                  | 1.70                   | 69.84               | 0.00                |                  |
| 1998     | 0.00                 | 55.45                 | 0.00               | 34.06               | 27.07                  | 1.80                   | 61.45               | 0.00                |                  |
| 1999     | 0.00                 | 52.75                 | 0.00               | 23.61               | 28.69                  | 1.91                   | 45.15               | 0.00                |                  |
| 2000     | 0.00                 | 50.18                 | 0.00               | 22.46               | 30.41                  | 2.03                   | 45.53               | 0.00                |                  |
| 2001     | 0.00                 | 47.73                 | 0.00               | 21.36               | 32.24                  | 2.15                   | 45.91               | 0.00                |                  |
| 2002     | 0.00                 | 45.40                 | 0.00               | 20.32               | 34.17                  | 2.28                   | 46.29               | 0.00                |                  |
| 2003     | 0.00                 | 43.19                 | 0.00               | 19.33               | 36.22                  | 2.41                   | 46.67               | 0.00                |                  |
| 2004     | 0.00                 | 41.08                 | 0.00               | 18.39               | 38.39                  | 2.56                   | 47.06               | 0.00                |                  |
| 2005     | 0.00                 | 39.08                 | 0.00               | 17.49               | 40.70                  | 2.71                   | 47.45               | 0.00                |                  |
| 2006     | 0.00                 | 37.17                 | 0.00               | 16.64               | 43.14                  | 2.88                   | 47.85               | 0.00                |                  |
| 2007     | 0.00                 | 35.36                 | 0.00               | 15.83               | 45.73                  | 3.05                   | 48.24               | 0.00                |                  |
| 2008     | 0.00                 | 33.63                 | 0.00               | 15.05               | 48.47                  | 3.23                   | 48.64               | 0.00                |                  |
| 2009     | 0.00                 | 31.99                 | 0.00               | 14.32               | 51.38                  | 3.43                   | 49.05               | 0.00                |                  |
| 2010     | 0.00                 | 30.43                 | 0.00               | 13.62               | 54.46                  | 3.63                   | 49.45               | 0.00                |                  |
| 2011     | 0.00                 | 28.95                 | 0.00               | 12.96               | 57.73                  | 3.85                   | 49.87               | 0.00                |                  |
| Reserves | 0.00                 | 1,020.92              | 0.00               | 581.10              |                        |                        |                     |                     |                  |
| Year     | Oper<br>Costs        | Net<br>Rev            | Cap<br>Costs       | Cash<br>Flow        | Cum<br>Cash Flow       | Disc<br>Rate           | Disc'd<br>Cash Flow | Payout<br>(Months)  |                  |
| 0        |                      | 0.00                  | 235.75             | -235.75             | -235.75                | 0                      | 301.04              | 91.80               |                  |
| 1991     | 70.20                | -25.80                |                    | -25.80              | -261.55                | 10                     | -12.31              |                     |                  |
| 1992     | 46.80                | 18.55                 |                    | 18.55               | -243.00                | 15                     | -68.58              |                     |                  |
| 1993     | 23.40                | 44.17                 |                    | 44.17               | -198.83                | 20                     | -100.27             | ROI                 |                  |
| 1994     | 24.57                | 43.56                 |                    | 43.56               | -155.26                | 25                     | -118.55             |                     |                  |
| 1995     | 25.80                | 42.90                 |                    | 42.90               | -112.36                | 30                     | -129.08             | 1.28                |                  |
| 1996     | 27.09                | 42.18                 |                    | 42.18               | -70.18                 | 40                     | -137.80             |                     |                  |
| 1997     | 27.09                | 42.76                 |                    | 42.76               | -27.42                 | 50                     | -138.49             | DROI(15)            |                  |
| 1998     | 24.61                | 36.84                 |                    | 36.84               | 9.41                   | 60                     | -135.71             |                     |                  |
| 1999     | 18.38                | 26.78                 |                    | 26.78               | 36.19                  | 70                     | -131.43             | -0.29               |                  |
| 2000     | 19.30                | 26.23                 |                    | 26.23               | 62.42                  | 80                     | -126.55             |                     |                  |
| 2001     | 20.26                | 25.65                 |                    | 25.65               | 88.07                  | 90                     | -121.53             | ROR                 |                  |
| 2002     | 21.28                | 25.01                 |                    | 25.01               | 113.08                 | 100                    | -116.59             |                     |                  |
| 2003     | 22.34                | 24.33                 |                    | 24.33               | 137.41                 |                        |                     | 9.61                |                  |
| 2004     | 23.46                | 23.60                 |                    | 23.60               | 161.02                 |                        |                     |                     |                  |
| 2005     | 24.63                | 22.82                 |                    | 22.82               | 183.84                 |                        |                     |                     |                  |
| 2006     | 25.86                | 21.99                 |                    | 21.99               | 205.83                 |                        |                     |                     |                  |
| 2007     | 27.15                | 21.09                 |                    | 21.09               | 226.92                 |                        |                     |                     |                  |
| 2008     | 28.51                | 20.13                 |                    | 20.13               | 247.05                 |                        |                     |                     |                  |
| 2009     | 29.94                | 19.11                 |                    | 19.11               | 266.16                 |                        |                     |                     |                  |
| 2010     | 31.43                | 18.02                 |                    | 18.02               | 284.18                 |                        |                     |                     |                  |
| 2011     | 33.01                | 16.86                 |                    | 16.86               | 301.04                 |                        |                     |                     |                  |
|          |                      |                       |                    | 301.04              | 301.04                 |                        |                     |                     |                  |



## Exhibit "6"

## BLANCETT RE-ENTRY ECONOMICS

|          | Initial<br>Rate      | Init<br>WI            | Initial<br>NRI     | Decline<br>Rates    | Init Oil<br>Price      | Init Gas<br>Price      | Price<br>Escalator  | End 1st<br>Yr. Rate | Peak<br>Gas Rate |
|----------|----------------------|-----------------------|--------------------|---------------------|------------------------|------------------------|---------------------|---------------------|------------------|
| BOPD     | 0                    | 0.85                  | 0.750              | Effective           | 18.00                  | 1.20                   | 1.06                | 0.00                |                  |
| MCFD     | 100.00               |                       |                    | 0.050               |                        |                        |                     | 199.37              | 200.00           |
|          |                      |                       |                    | Nominal             |                        |                        |                     |                     |                  |
|          |                      |                       |                    | 0.951               |                        |                        |                     |                     |                  |
|          | GOR                  | Final<br>WI           | Final<br>NRI       | Months<br>in Yr 1   | Severance<br>Tax Rate  | Op Cst<br>\$/Mo        | Cost<br>Escalator   | Capital<br>Costs    |                  |
|          | 0                    | 0.65                  | 0.750              | 12.00               | 0.04                   | 2.00                   | 1.05                | 172.16              |                  |
| Year     | Gross<br>Prod<br>MBO | Gross<br>Prod<br>MMCF | NET<br>Prod<br>MBO | NET<br>Prod<br>MMcf | OIL<br>Price<br>\$/Bbl | GAS<br>Price<br>\$/Mcf | Gross<br>Revenue    | Tax<br>Credit       |                  |
| 1991     | 0.00                 | 52.57                 | 0.00               | 32.25               | 18.00                  | 1.20                   | 38.71               | 0.00                |                  |
| 1992     | 0.00                 | 73.00                 | 0.00               | 44.79               | 19.08                  | 1.27                   | 56.98               | 0.00                |                  |
| 1993     | 0.00                 | 71.21                 | 0.00               | 43.69               | 20.22                  | 1.35                   | 58.91               | 0.00                |                  |
| 1994     | 0.00                 | 67.73                 | 0.00               | 41.56               | 21.44                  | 1.43                   | 59.40               | 0.00                |                  |
| 1995     | 0.00                 | 64.43                 | 0.00               | 39.53               | 22.72                  | 1.51                   | 59.89               | 0.00                |                  |
| 1996     | 0.00                 | 61.29                 | 0.00               | 37.61               | 24.09                  | 1.61                   | 60.39               | 0.00                |                  |
| 1997     | 0.00                 | 58.30                 | 0.00               | 33.67               | 25.53                  | 1.70                   | 57.31               | 0.00                |                  |
| 1998     | 0.00                 | 55.45                 | 0.00               | 26.02               | 27.07                  | 1.80                   | 46.95               | 0.00                |                  |
| 1999     | 0.00                 | 52.75                 | 0.00               | 24.75               | 28.69                  | 1.91                   | 47.34               | 0.00                |                  |
| 2000     | 0.00                 | 50.18                 | 0.00               | 23.54               | 30.41                  | 2.03                   | 47.73               | 0.00                |                  |
| 2001     | 0.00                 | 47.73                 | 0.00               | 22.40               | 32.24                  | 2.15                   | 48.13               | 0.00                |                  |
| 2002     | 0.00                 | 45.40                 | 0.00               | 21.30               | 34.17                  | 2.28                   | 48.53               | 0.00                |                  |
| 2003     | 0.00                 | 43.19                 | 0.00               | 20.26               | 36.22                  | 2.41                   | 48.93               | 0.00                |                  |
| 2004     | 0.00                 | 41.08                 | 0.00               | 19.28               | 38.39                  | 2.56                   | 49.34               | 0.00                |                  |
| 2005     | 0.00                 | 39.08                 | 0.00               | 18.34               | 40.70                  | 2.71                   | 49.75               | 0.00                |                  |
| 2006     | 0.00                 | 37.17                 | 0.00               | 17.44               | 43.14                  | 2.88                   | 50.16               | 0.00                |                  |
| 2007     | 0.00                 | 35.36                 | 0.00               | 16.59               | 45.73                  | 3.05                   | 50.58               | 0.00                |                  |
| 2008     | 0.00                 | 33.63                 | 0.00               | 15.78               | 48.47                  | 3.23                   | 51.00               | 0.00                |                  |
| 2009     | 0.00                 | 31.99                 | 0.00               | 15.01               | 51.38                  | 3.43                   | 51.42               | 0.00                |                  |
| 2010     | 0.00                 | 30.43                 | 0.00               | 14.28               | 54.46                  | 3.63                   | 51.85               | 0.00                |                  |
| 2011     | 0.00                 | 28.95                 | 0.00               | 13.58               | 57.73                  | 3.85                   | 52.28               | 0.00                |                  |
| Reserves | 0.00                 | 1,020.92              | 0.00               | 541.69              |                        |                        |                     |                     |                  |
| Year     | Oper<br>Costs        | Net<br>Rev            | Cap<br>Costs       | Cash<br>Flow        | Cum<br>Cash Flow       | Disc<br>Rate           | Disc'd<br>Cash Flow | Payout<br>(Months)  |                  |
| 0        |                      | 0.00                  | 172.16             | -172.16             | -172.16                | 0                      | 323.78              | 81.00               |                  |
| 1991     | 61.20                | -22.49                |                    | -22.49              | -194.65                | 10                     | 24.37               |                     |                  |
| 1992     | 40.80                | 16.18                 |                    | 16.18               | -178.48                | 15                     | -28.89              |                     |                  |
| 1993     | 20.40                | 38.51                 |                    | 38.51               | -139.97                | 20                     | -58.96              | ROI                 |                  |
| 1994     | 21.42                | 37.98                 |                    | 37.98               | -101.99                | 25                     | -76.55              |                     |                  |
| 1995     | 22.49                | 37.40                 |                    | 37.40               | -64.59                 | 30                     | -86.97              | 1.88                |                  |
| 1996     | 23.62                | 36.77                 |                    | 36.77               | -27.82                 | 40                     | -96.48              |                     |                  |
| 1997     | 22.23                | 35.08                 |                    | 35.08               | 7.27                   | 50                     | -98.64              | DROI(15)            |                  |
| 1998     | 24.80                | 22.15                 |                    | 22.15               | 29.42                  | 60                     | -97.56              |                     |                  |
| 1999     | 19.91                | 27.43                 |                    | 27.43               | 56.85                  | 70                     | -95.02              | -0.17               |                  |
| 2000     | 20.91                | 26.83                 |                    | 26.83               | 83.68                  | 80                     | -91.84              |                     |                  |
| 2001     | 21.95                | 26.18                 |                    | 26.18               | 109.85                 | 90                     | -88.42              | ROR                 |                  |
| 2002     | 23.05                | 25.48                 |                    | 25.48               | 135.33                 | 100                    | -84.98              |                     |                  |
| 2003     | 24.20                | 24.73                 |                    | 24.73               | 160.07                 |                        |                     | 12.29               |                  |
| 2004     | 25.41                | 23.93                 |                    | 23.93               | 183.99                 |                        |                     |                     |                  |
| 2005     | 26.68                | 23.07                 |                    | 23.07               | 207.06                 |                        |                     |                     |                  |
| 2006     | 28.02                | 22.15                 |                    | 22.15               | 229.20                 |                        |                     |                     |                  |
| 2007     | 29.42                | 21.16                 |                    | 21.16               | 250.37                 |                        |                     |                     |                  |
| 2008     | 30.89                | 20.11                 |                    | 20.11               | 270.48                 |                        |                     |                     |                  |
| 2009     | 32.43                | 18.99                 |                    | 18.99               | 289.47                 |                        |                     |                     |                  |
| 2010     | 34.05                | 17.79                 |                    | 17.79               | 307.26                 |                        |                     |                     |                  |
| 2011     | 35.76                | 16.52                 |                    | 16.52               | 323.78                 |                        |                     |                     |                  |
|          |                      |                       |                    | 323.78              | 323.78                 |                        |                     |                     |                  |

STATE OF NEW MEXICO  
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT  
OIL CONSERVATION DIVISION

RECEIVED

MAR 21 1991

IN THE MATTER OF THE HEARING  
CALLED BY THE OIL CONSERVATION  
DIVISION FOR THE PURPOSE OF  
CONSIDERING:

OIL CONSERVATION DIVISION

Case No: 10,276

APPLICATION OF MARALEX RESOURCES,  
INC. FOR COMPULSORY POOLING,  
SAN JUAN COUNTY, NEW MEXICO.

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by Applicant as  
required by the Oil Conservation Division.

**APPEARANCES OF PARTIES**

**APPLICANT**

**ATTORNEY**

Maralex Resources, Inc.  
518 17th Street, Suite 1030  
Denver, Colorado 80202  
(303) 571-4220  
Attention: Mickey O'Hare

James Bruce  
Hinkle, Cox, Eaton,  
Coffield & Hensley  
500 Marquette, N.W.  
Suite 800  
Albuquerque, N.M. 87102  
(505) 768-1500

**OPPOSITION OR OTHER PARTY**

**ATTORNEY**

**STATEMENT OF CASE**

APPLICANT

Applicant seeks the compulsory pooling of the E $\frac{1}{2}$  S24-30N-12W, to be named operator, and a penalty against non-consenting mineral interest owners. There are interest owners who have not agreed to join in the proposed well.

OPPOSITION OR OTHER PARTY

**PROPOSED EVIDENCE**

APPLICANT

| WITNESS                    | EST. TIME  | EXHIBITS  |
|----------------------------|------------|---|
| Mickey O'Hare<br>(Landman) | 20 minutes | (1) Land Plat.<br>(2) List of<br>Interest<br>owners.<br>(3) Correspondence.<br>(4) AFE.<br>(5) Notice letter.<br>(6) Coal thickness<br>map. |

OPPOSITION


| WITNESS | EST. TIME | EXHIBITS |
|---------|-----------|----------|
|---------|-----------|----------|

**PROCEDURAL MATTERS**

Applicant request that cases 10,274, 10,275, and 10,276 be consolidated for hearing.

Respectfully Submitted,

HINKLE, COX, EATON, COFFIELD &  
HENSLEY

By   
James Bruce  
500 Marquette, N.W.  
Suite 800  
Albuquerque, N.M. 87102  
(505) 768-1500

Attorneys for Applicant

STATE OF NEW MEXICO

ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION



BRUCE KING  
GOVERNOR

POST OFFICE BOX 2088  
STATE LAND OFFICE BUILDING  
SANTA FE, NEW MEXICO 87504  
(505) 827-5800

June 10, 1991

HINKLE, COX, EATON,  
COFFIELD & HENSLEY  
Attorneys at Law  
500 Marquette, NW  
Suite 740  
Albuquerque, New Mexico 87102

RE: CASE NO. 10275 and CASE NO. 10276  
ORDER NO. R-9518 and ORDER NO. R-9519

Dear Sir:

Enclosed herewith are four copies of the above-referenced Division orders recently entered in the subject cases.

Sincerely,

A handwritten signature in cursive script that reads "Florene Davidson".

Florene Davidson  
OC Staff Specialist

FD/sl

cc: BLM - Farmington  
Norman Gilbreath  
T. Kellahin  
OCD Aztec Office

410 17th Street, Suite 220  
Denver, Colorado 80202  
(303) 571-4220  
FAX (303) 571-4217

'91 JUN 24 AM 10 16

P.O. Box 421  
Blanco, New Mexico 87412  
(505) 334-1644

June 20, 1991

State of New Mexico  
Energy, Minerals & Natural  
Resources Department  
Oil Conservation Division  
P. O. Box 2088  
Santa Fe, New Mexico 87504-2088  
Attn: William LeMay

RE: Order No.'s  
R-9517  
R-9518  
[REDACTED]  
San Juan Co.,  
New Mexico

Case 10276

Gentlemen:

Per the terms of the captioned pooling orders, please find enclosed an Authority for Expenditure (AFE) itemizing the estimated well costs for each of the three wells subject to the captioned pooling orders. We have furnished each known working interest owner with a copy of said AFE's.

Please advise should you need any additional information.

Sincerely,

*Jennifer Ritcher*  
Jennifer Ritcher, C.P.L.  
Landman

M A R A L E X   R E S O U R C E S ,   I N C

AUTHORITY FOR EXPENDITURE (AFE)

WELL NAME: POLOKOFF BLANCETT NO. 1 (COAL WELL RE-ENTRY)  
 LOCATION: Section 24, T30N, R12W  
 COUNTY: San Juan STATE: NM  
 PURPOSE: Recomplete Existing Well to Fruitland Coals


| INTANGIBLE                      | WORKOVER   | COSTS        |
|---------------------------------|--|--------------|
| Service Unit                    | 10 days @ \$1500/ day  | 15,000.00    |
| Location                        | Dirt Work and labor \$2500<br>Pits (Plastic Lined) 1800<br>Reclamation of reserve pit 1200                                     | 5,500.00     |
| Damages & ROW                   | Damages for Location & Pipeline  | 4,000.00     |
| Squeeze Cementing               | Cement and Services 0  | 0.00         |
| Logging & Tests                 | Open-hole Logging 0<br>Desorption Analysis 0<br>Cased-hole Logging 1800<br>BHP Build-up Test 0<br>Slug Test & other Tests 1600 | 3,400.00     |
| Perforating                     | 30 feet @ 4 shots per foot 2800  | 2,800.00     |
| Stimulation                     | Fracture Treatment 50000   | 50,000.00    |
| Rental Equipment                | Tanks, BOP's, etc. 2200  | 2,200.00     |
| Water & Hauling                 | For Completion Only 6000   | 6,000.00     |
| Labor                           | Roustabout work, etc. 4400   | 4,400.00     |
| Supervision                     | Engineering & field work 4000  | 4,000.00     |
| Overhead                        | Land, Legal, Insurance, etc. 3000  | 3,000.00     |
| Miscellaneous                   | Contingency (12%)  | 12,246.00    |
| TOTAL INTANGIBLE DRILLING COSTS |  | \$112,546.00 |

M A R A L E X   R E S O U R C E S ,   I N C

AUTHORITY FOR EXPENDITURE

| TANGIBLE                        | DRILLING  | COSTS        |
|---------------------------------|---|--------------|
| Tubulars                        | 0' of 8-5/8, 24#, J55 csg                                       | \$0.00       |
|                                 | 0' of 5-1/2, 17#, J55 csg                                       | 0.00         |
|                                 | 1950' of 2-3/8, 4.7#, J55 tbg                                   | 4,100.00     |
| Rods                            | 1900' of 3/4 Grade D rods                                       | 1,800.00     |
| Pumping Equip.                  | 114-175-64 Pumping Unit (used)                                  | 10,000.00    |
|                                 | Downhole pump 2"x1.50"x12' RHBC                                 | 2,400.00     |
| Prime Mover                     | 30 Hp Electric Motor w/accessories (i.e. Power, Controls, etc.) | 4,500.00     |
| Production Unit                 | Vertical Coal gas separator                                     | 7,700.00     |
| Water Storage                   | 400 Barrel Fiberglass tank                                      | 5,600.00     |
| Wellhead                        | Larkin or Hinderlighter head                                    | 1,600.00     |
| Title Opinion                   | Provided by Miller Law Firm                                     | 8,000.00     |
| Bonding                         | State Plugging Bond   | 5,000.00     |
| Borehole                        | Purchase existing wellbore                                      | 4,000.00     |
| Miscellaneous                   | Polish rod, pumping tee, gas scrubber, radigan, etc.            | 3,500.00     |
| TOTAL TANGIBLE DRILLING COSTS   |   | \$58,200.00  |
| TOTAL INTANGIBLE DRILLING COSTS |   | \$112,546.00 |
| AFE GRAND TOTAL COSTS           |   | \$170,746.00 |

MARALEX AUTHORIZATION:

  
A. M. O'HARE, P.E.  
PRESIDENT

Partner Approval  
(Company Name):

By:

Date: