MARALEX
Resources, Inc.

BEFORE EXAMINER STOGNER
OIL CONSERVATION DIVISION
EXHIBIT NO. 6
CASE NO. 10274 275 276

February 18, 1991

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

Caprock Energy Company and
Mr. Norman L. Gilbreath
P.O. Drawer 208
Aztec, NM 87410

Certified Mail

Re: Farmout and Continuous Option Farmout
T30N, R11 & 12W
San Juan County, NM

Dear Mr. Gilbreath:

Reference is made to your letter dated February 11, 1991, whereby you indicate that you would like to terminate both your personal relationship and Caprock Energy's relationship with Maralex Resources, Inc. Of course, from a legal standpoint I'm sure you realize that your letter does not accomplish your objective because the terms of our Letter Agreements dated April 27, 1990, and May 11, 1990, do not include a provision for termination of the Agreements by you prior to expiration of the "Section 29, Nonconventional Fuel Tax Credit, or any extension of the tax credit period".

However, in the interest of maintaining an amiable relationship and our credibility with you, we will agree to terminate our Agreements under certain conditions. I will state those conditions after I address your reasons for wishing to terminate our Agreements.

1) You are correct in your assertion that Maralex has promised to drill test wells in the Coal Seam Formation on your leases. We have every intention of keeping those promises. However, Maralex does not have the ability to drill any wells anywhere without first verifying title to the properties on which the wells will be drilled and tying up the remaining acreage within the drillsite spacing unit. The financial risk of doing so is greater than Maralex can currently afford. Therefore, as you know, we have spent a great deal of time and money to assure ourselves that once the wells were drilled that nobody (not the least of which is Meridian) would be able to come back and claim an interest in our newly completed well. We feel that such a time consuming effort not only protects and benefits Maralex but also yourself and Caprock Energy.

We have made every effort possible to speed up this process, including seeking your assistance which initially resulted in the use of an abstract of title owned by you. Though we are very grateful for your cooperation in that instance, we feel that additional help from you not only would have sped up the process but should have been forthcoming.

EXHIBIT "6"

2) Our letter agreement dated May 11, 1990, states, "Within sixty (60) days following the execution of a formal Farmout Agreement MARALEX shall pay to CAPROCK by company check the sum of two thousand five hundred and no/100 dollars ($2,500.00)..." As of this date, you have not executed a Formal Farmout Agreement. While your statement is true that we have not paid the sum agreed to, it does not reflect the fact that the sum in question is not yet due.

3) My recollection of your Farmout Agreement is that it was essentially identical to ours with the exception noted in your letter of February 11 along with the fact that it did not contain an Operating Agreement, a COPAS Agreement and a Pumping Agreement. Besides the fact that the first two such agreements are normally provided with the Formal Farmout Agreement, our Letter Agreements require those Agreements. My impression was that you intended to redo the Agreements and provide them for our review. However, we never received any revised agreements. Therefore, we feel you must share responsibility for the fact that a mutually acceptable Formal Farmout Agreement has yet to be signed.

Incidentally, our Letter Agreements give Maralex 60 days from the execution of a Formal Farmout Agreement to spud the first well. The fact that we have provided you with a Formal Agreement indicates that we are very close to being ready to spud the first well.

4) As you might expect this point in your letter is very upsetting to me. I have labored my entire career to build and maintain a reputation for honesty and integrity. As stated earlier, I have no intention of abandoning my promises. Furthermore, we have spent months and thousands of dollars (much more than the $23,000 in title costs that we have paid for opinions on your property) to show our good faith and commitment to this project. We have endeavored to keep you abreast of our progress by providing you with copies of those title opinions. We have verbally requested your help in curing some of the title problems that have come to light. We haved hired a full time employee to work exclusively on this project. We stand to make money by drilling and completing the wells in question. I simply cannot understand what would lead you to believe that we are employing delaying tactics.

In summary, Maralex Resources, Inc. has documentation in the form of correspondence dating back to last April, more than $23,000 in title opinions, along with thousands of dollars in employee and contract labor costs to show our good faith and commitment to this project.

As I stated previously, we are confident that we will have the remaining leases in at least one of the drillsite spacing

units tied up within 60 days. We intend to proceed with the drilling or recompletion of the first well as soon after the acreage is tied up as is physically possible. If you decide to terminate our Letter Agreements you may find that you will be required to pay your share of the wells or be force-pooled as we fully intend to proceed with the wells regardless of your decision.

However, Maralex will agree to terminate our Agreements if and only if all of the following conditions are met: 1) You pay for the title opinions that you have received copies of. 2) You reimburse Maralex for all of the costs paid to both contract and full time employees and all incidental costs (such as postage, phone bills, reproduction costs, etc.) associated with the work required to cure title to the lands included in each of the drillsite spacing units. 3) Should it be necessary to litigate the settlement of these costs you pay all court costs (please realize if such action is necessary you may be subjected to a punitive penalty as well). 4) You sign a formal agreement forever releasing Maralex from any and all future claims or actions of whatsoever type.

We earnestly believe that it is in everybody's best interest to proceed with the Farmout as originally agreed to. We will be more than happy to work with you on the language of the Formal Farmout Agreement or any of the Agreements attached to it.

Please let us know at your earliest convenience your intentions in this regard.

Sincerely,

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

cc: Caprock Energy Company
3108 Crescent Ave.
Farmington, NM 87401

CAPROCK ENERGY COMPANY
3108 Crescent Ave. • 505/325-6122
Farmington, NM 87401

February 11, 1991

MARALEX Resources Inc.
518 17th Street, Suite 1030
Denver, CO 80202
Attn: Mr. Mickey O'Hare,

This letter serves as notice to you that the following action is being taken as of Friday, February 15, 1991.

Caprock Energy Co., leaseholder of mineral leases in Sec.#19
-A N D-
Norman Gilbreath, leaseholder of mineral leases in Sec.#24,

Are hereby terminating our relationships with MARALEX Resources regarding the above listed leases, due to the following reasons:

1) You have repeatedly made promises to Norman Gilbreath that you would drill test wells in the Coal Seam Formation. These promises have not been kept by you.

2) You agreed to pay Caprock Energy Company a sum of $2,500 to reimburse us for lease rental expenses. You have not paid.

3) The first Farmout Agreement that you sent to us, was not acceptable to us. We made our own Farmout Agreement, showed it to you and you verbally agreed that it was OK, except for the 35% clause that we had in it, we agreed to change that to 25%. The second Farmout Agreement that you sent to us, did not even come close to resembling our Farmout.

4) In light of your unkept promises and agreements, we feel that you are doing this as delaying tactics. Also we believe that if your word is no good, your written-signed-and notorized contracts will be of dubious value to us, and could be a liability to us.

In summary, Caprock Energy Company and Norman L. Gilbreath entered into these business negotiations with MARALEX in good faith, we likewise assumed that you entered into these same transactions in good faith. However our confidence in dealing with you has been almost destroyed, partly by some of your actions and mostly by your inactions, regarding these leases.

Sincerely,

Norman L. Gilbreath

Lindsey W. Gilbreath

xc: NLG, LWG, TWB, SMG

MARALEX
Resources, Inc.

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

May 11, 1990

Caprock Energy, Inc.
c/o 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. 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 CAPROCK'S interest in the spacing unit. CAPROCK 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 CAPROCK an additional fifteen percent (15%), proportionately reduced working interest in the drillsite spacing unit and CAPROCK 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 CAPROCK that payout has been achieved and CAPROCK 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 CAPROCK 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.

2. Paragraph No. 10 shall be amended to provide that the Joint Operating Agreement shall go into effect at the date of first gas sales of the Test Well rather than payout of the Test Well.

3. Paragraph No. 13 shall be deleted and the following shall be inserted in its place:

Within sixty (60) days following the execution of a formal Farmout Agreement MARALEX shall pay to CAPROCK by company check the sum of two thousand five hundred and no/100 dollars ($2500.00) as compensation for expenses incurred in the acquisition and maintenance of the subject tract. CAPROCK shall deliver to MARALEX any and all available opinions and documents relating to, and/or securing title to the subject tract.

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 CAPROCK, 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 4 day of June, 1990.

Norman L. Gilbreath
Caprock Energy, Inc.

JAR/AMO/mo

April 27, 1990

Caprock Energy, Inc.
c/o Mr. Norman L. Gilbreath
Drawer 208
Aztec, NM 87410

Re: Farmout Request
Sec. 19, T30N, R11W
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 "Test Well". In support of our test, Maralex requests a 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 11 West
Section 19: Northwest quarter (NW/4)
San Juan County, New Mexico

2. The 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 Test Well within sixty (60) days from the date of final execution by Caprock Energy 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, Caprock Energy shall grant an extension for the commencement of, or allow Maralex to move the location of the Test Well.

4. Upon Maralex completing the drilling of the Test Well as a producer, Maralex shall earn ninety percent (90%) of your interest in the drillsite spacing unit with Caprock Energy retaining a proportionate ten percent (10%) working

interest through payout. Upon payout Caprock Energy shall back in for an additional fifteen percent (15%) proportionate working interest in the Test Well.

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

7. 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 Test Well.

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

9. All cost, risk and expense associated with the drilling, testing and completing and/or plugging and abandoning of the Test Well shall be borne by Maralex. Caprock Energy shall receive all geologic and production data obtained by the drilling of this well.

10. Maralex and Caprock Energy agree to enter into a formal Farmout Agreement covering the Farmout Lands. Maralex and Caprock Energy 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 Test Well. Maralex shall be designated Operator of the Test Well. However, Caprock Energy shall retain the right to provide pumping services for the Test Well if completed as a producer.

11. This Farmout is subject to approval by Maralex of title and assumes that Caprock Energy will deliver a net revenue interest in the Farmout Lands equal to or greater than 83.33 percent. Actual net revenue ownership less than this amount may result in a change in this proposal.

12. This Farmout is also subject to receiving necessary farmouts, participation, or pooling of all other interests in the drillsite spacing unit.

13. The liability for failure to commence and drill the Test Well shall be limited to a payment to Caprock Energy by Maralex of the sum of four thousand and no/100 dollars ($4000.00) cash, payable by corporate or cashiers check within 30 days of the failure to spud the Test Well, after extensions, under the terms of this proposal.

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 ___ day of _____, 1990.

_____
Norman L. Gilbreath
for Caprock Energy

KOCH

KOCH EXPLORATION COMPANY

March 18, 1991

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

Attn: Jennifer Ritcher
Landman

Re: Well Proposal
N/2 Section 19-T30N-R11W
San Juan County, New Mexico

Dear Mr. Ritcher:

Koch Exploration Company is in receipt of your letter dated January 14, 1991 inviting Koch to farmout its interest under the captioned well. Koch has reviewed this request and by this letter informs Maralex that it is presently unable to grant the requested farmout.

Regarding Maralex' proposed elections in lieu of farming out, Koch is continuing to review your proposal to participate in said well but informs you that we do not sell HBP acreage.

Sincerely yours,

Janet Rae Kruse
Senior Landman

LTR5891

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To Jenny Ritcher	From J.K. Kruse
Co. Maralex	Co. Koch
Dept.	Phone # 316-832-6626
Fax # (303) 571-4321	Fax # 316-832-5390

MARALEX
Resources, Inc.

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

January 14, 1991

Koch Exploration Company
P. O. Box 2256
Wichita, Kansas 67201
Attn: Ms. Janet Kruse, Landman

Re: Well Proposal
T30N-R11W
Section 19:N/2
San Juan County,
New Mexico

Dear Ms. Kruse:

Maralex Resources, Inc. (Maralex) proposes the drilling of a well, hereinafter referred to as Test Well, to be located in the NE/4 of Section 19, T30N-R11W, San Juan County, New Mexico. Said Test Well shall be drilled to a depth of 2,100 feet or to a depth sufficient to test the Basal Fruitland Coal Formation, whichever is lesser. Maralex's estimated costs for a new, completed well are $235,750, as indicated on the enclosed AFE. A record check indicates that Koch owns an interest in the E/2NE1/4 of Section 19, T30N-R11W which will be included within the 320.00 acre drillsite spacing unit comprised of the N/2 of Section 19, T30N-R11W. Maralex invites Koch to participate in its proposed well or in lieu of participation, either farmout or sell its interest in the drillsite spacing unit for the Test Well on the following general terms and conditions.

I. Farmout

1. Maralex shall commence or cause to be commenced the drilling of the Test Well within ninety (90) days from the date of final execution by Koch and Maralex of a mutually acceptable formal Farmout Agreement. Should Maralex be unable to obtain the required drilling permits from the State and Federal regulatory agencies, Koch shall grant an extension for the commencement of or allow Maralex to move the location of the Test Well.

2. Upon Maralex completing the drilling of the Test Well as a producer, Maralex shall earn 100% of Koch's interest in the drillsite spacing unit and Koch shall retain a proportionate overriding royalty interest through payout equal to the difference between landowner's royalty plus overriding royalties in existence as of the date of this Agreement, and 17.5%. Koch agrees to deliver an eighty-two and one-half percent (82.5%) net revenue interest lease before payout. Said

overriding royalty shall be convertible at payout at Koch's option to a thirty percent (30%) working interest.

3. If the Test Well is a dry hole or is incapable of producing in paying quantities, Maralex shall earn seventy percent (70%) of Koch's interest in the drillsite spacing unit.

4. All rights earned and retained shall be proportionately reduced and shall be from the surface of the earth to the stratigraphic equivalent of the total depth drilled in the Test Well.

5. All cost, risk and expense associated with the drilling, testing and completing and /or plugging and abandoning of the Test Well shall be borne by Maralex and Koch shall receive all geologic and production data obtained by the drilling of the Test Well.

6. Maralex and Koch agree to enter into a formal Farmout Agreement covering the Farmout Lands, with an attached 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 Test Well.

7. This Farmout is subject to approval by Maralex of title.

8. Maralex's liability for failure to commence and drill the Test Well shall be limited to the loss of opportunity to earn the interest hereinabove described.

II. <u>Participation</u>

1. Maralex and Koch agree to enter into an AAPL Form 610-1982 Joint Operating Agreement with an attached COPAS Accounting Procedure and Gas Balancing Agreement which shall incorporate (among other provisions) the following:

a) Article IV.B. shall provide for individual loss of title.
b) Maralex shall be designated Operator.
c) Article VI.B.2a) shall provide for 100%/100% non-consent penalties.
d) Article VI.B.2b) shall provide for 300%/300% non-consent penalties.
e) Fixed Rate Overhead rates shall be $2,800 for drilling well rate and $280 for producing well rate.

III. Sale of Interest

If Koch elects not to farmout or participate in the Test Well, Maralex would like to purchase Koch's interest in the drillsite spacing unit. Said offer shall be subject to Koch delivering an 82.5% net revenue interest lease and subject to approval of title by Maralex. If Maralex is unable to acquire the necessary farmouts, participation or pooling of 100% of the interest in the drillsite spacing unit, the offer to purchase shall be null and void.

This letter shall not survive a formal contract which shall incorporate the terms and conditions contained herein. Please indicate Koch's election by executing in the space provided below and returning one (1) copy of this letter to the undersigned on or before February 1, 1991. This Agreement shall be null and void after that time. In addition, please contact me if Koch has any partners in this leasehold.

Sincerely,

_____

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

_____ Koch elects to participate in the Test Well and returns the executed AFE.
_____ Koch elects to Farmout its interest in the drillsite spacing unit to Maralex on the terms contained herein.
_____ Koch would entertain an offer to sell its interest in the drillsite spacing unit to Maralex.

Agreed to and accepted this _____day of _____, 1991.

By:_____

Koch Exploration Company

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: 2100 FOOT COAL WELL

LOCATION: Northeast Section 19, T30N, R11W
San Juan County, New Mexico

INTANGIBLE	DRILLING COSTS			
Drilling Rig	2100 ft. @ $13.62/ft			$28,600.00
	1 day of daywork @ $4400/day			4,400.00
Completion Rig	5 days @ $1500/ day			7,500.00
Location	Dirt Work and labor		$2500	
	Pits (Plastic Lined)		1800	
	Reclamation of reserve pit		2200	6,500.00
Staking & Permit	$700 per well			700.00
Damages & ROW	$2500 per well			2,500.00
Casing & Cmting	Casing Crew	Surface	----	
		Production	1200	
	Cementing	Surface	2500	
		Production	6800	10,500.00
Logging & Tests	Open-hole Logging		5500	
	Desorption Analysis		3500	
	Cased-hole Logging		2800	
	BHP Build-up Test		3500	
	Slug Test & other Tests		1100	16,400.00
Perforating	30 feet @ 4 shots per foot		4900	4,900.00
Stimulation	Fracture Treatment		55000	55,000.00
Rental Equipment	Tanks, BOP's, etc.		1200	1,200.00
Water & Hauling	For Completion Only		2800	2,800.00
Labor	Roustabout work, etc.		6400	6,400.00
Supervision	Engineering & field work		4800	
	Geological (Cuttings work)		700	5,500.00
Overhead	Land, Legal, Insurance, etc.		1800	1,800.00
Miscellaneous	Contingency (10%)			15,500.00
	TOTAL INTANGIBLE DRILLING COSTS			$170,200.00

AUTHORITY FOR EXPENDITURE

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

TANGIBLE	DRILLING COSTS	
Tubulars	250' of 8-5/8, 24#, J55 csg	$2,350.00
	2200' of 5-1/2, 17#, J55 csg	11,000.00
	2100' of 2-3/8, 4.7#, J55 tbg	5,050.00
Rods	2100' of 3/4 Grade D rods	2,550.00
Pumping Equip.	228-175-86 Pumping Unit (used)	12,000.00
	Downhole pump 2"x1.25"x12'RHBC	2,800.00
Prime Mover	30 Hp Electric Motor w/acces-sories (i.e. Power, Controls,etc.)	4,500.00
Production Unit	Vertical Coal gas separator	12,000.00
Water Storage	400 Barrel Fiberglass tank	4,800.00
Wellhead	Larkin or Hinderlighter head	2,800.00
Float Equip.	Guide Shoes, Floats, etc.	2,200.00
Miscellaneous	Polish rod, pumping tee, fuel gas scrubber, radigan, etc.	3,500.00
	TOTAL TANGIBLE DRILLING COSTS	$65,550.00
	TOTAL INTANGIBLE DRILLING COSTS	$170,200.00
	AFE GRAND TOTAL COSTS	$235,750.00

MARALEX AUTHORIZATION:

Partner Approval:

_____

Koch Exploration Company

MARALEX
Resources, Inc.

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

January 14, 1991

Snyder Operating Partnership,L.P.
1801 California St., Suite 3500
Denver, Colorado 80202
Attn: Mr. ~~Terry Savage~~

Re: Well Proposal
T30N-R11W
Section 19:N/2
San Juan County,
New Mexico

Dear Mr. Savage:

Maralex Resources, Inc. (Maralex) proposes the drilling of a well, hereinafter referred to as Test Well, to be located in the NE/4 of Section 19, T30N-R11W, San Juan County, New Mexico. Said Test Well shall be drilled to a depth of 2,100 feet or to a depth sufficient to test the Basal Fruitland Coal Formation, whichever is lesser. Maralex's estimated costs for a new, completed well are $235,750, as indicated on the enclosed AFE.

A record check indicates that Snyder owns a 100% interest in a strip of land forty feet wide across the South end of the SW/4NW/4 of Section 19, T30N-R11W, said tract containing 1.21 acres, which will be included within the 320.00 acre drillsite spacing unit comprised of the N/2 of Section 19, T30N-R11W. Maralex invites Snyder to participate in its proposed well or in lieu of participation, either farmout its interest in the drillsite spacing unit and in other lands as outlined in I.1. below, or sell its interest in the drillsite spacing unit, and in other lands as outlined in Article III. below, on the following general terms and conditions.

I. Farmout

1. The Farmout lands shall include:
T30N-R11W
Section 19: SW/4, SE/4SW/4, a strip of land forty feet wide across the South end of the SW/4NW/4.

2. Maralex shall commence or cause to be commenced the drilling of the Test Well within ninety (90) days from the date of final execution by Snyder and Maralex of a mutually acceptable formal Farmout Agreement. Should Maralex be unable to obtain the required drilling permits from the State and Federal regulatory agencies, Snyder shall grant an extension for the commencement of or allow Maralex to move the location of the Test Well.

3. Upon Maralex completing the drilling of the Test Well as a producer, Maralex shall earn 100% of Snyder's interest in the drillsite spacing unit and Snyder shall retain a proportionate overriding royalty interest through payout equal to the difference between landowner's royalty plus overriding

royalties in existence as of the date of this Agreement, and 17.5%. Snyder agrees to deliver an eighty-two and one-half percent (82.5%) net revenue interest lease before payout. Said overriding royalty shall be convertible, at payout, at Snyder's option to a thirty percent (30%) working interest. In Addition, Maralex shall earn seventy percent (70%) of Snyder's interest in the balance of the farmout lands outside of the drillsite spacing unit.

4. If the Test Well is a dry hole or is incapable of producing in paying quantities, Maralex shall earn seventy percent (70%) of Snyder's interest in all of the Farmout Lands.

5. All rights earned and retained shall be proportionately reduced and shall be from the surface of the earth to the stratigraphic equivalent of the total depth drilled in the Test Well.

6. All cost, risk and expense associated with the drilling, testing and completing and /or plugging and abandoning of the Test Well shall be borne by Maralex and Snyder shall receive all geologic and production data obtained by the drilling of the Test Well.

7. Maralex and Snyder agree to enter into a formal Farmout Agreement covering the Farmout Lands, with an attached 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 Test Well.

8. This Farmout is subject to approval by Maralex of title.

9. Maralex's liability for failure to commence and drill the Test Well shall be limited to the loss of opportunity to earn the interest hereinabove described.

II. <u>Participation</u>

1. Maralex and Snyder agree to enter into an AAPL Form 610-1982 Joint Operating Agreement with an attached COPAS Accounting Procedure and Gas Balancing Agreement which shall incorporate (among other provisions) the following:

a) Article IV.B. shall provide for individual loss of title.
b) Maralex shall be designated Operator.
c) Article VI.B.2a) shall provide for 100%/100% non-consent penalties.
d) Article VI.B.2b) shall provide for 300%/300% non-consent penalties.
e) Fixed Rate Overhead rates shall be $2,800 for drilling well rate and $280 for producing well rate.

III. Sale of Interest

If Snyder elects not to farmout or participate in the Test Well, Maralex would like to purchase Snyder's interest in the following lands:

T30N-R11W

Section 19: SW/4, SW/4SE/4, a strip of land forty feet wide across the South end of the SW/4NW/4

Said offer shall be subject to Snyder delivering an 82.5% net revenue interest lease and subject to approval of title by Maralex. If Maralex is unable to acquire the necessary farmouts, participation or pooling of 100% of the interest in the drillsite spacing unit, or in the S/2 of section 19, the offer to purchase shall be null and void.

This letter shall not survive a formal contract which shall incorporate the terms and conditions contained herein. Please indicate Snyder's election by executing in the space provided below and returning one (1) copy of this letter to the undersigned on or before February 1, 1991. This Agreement shall be null and void after that time. In addition, please contact me if Snyder has any partners in this leasehold.

Sincerely,

_____

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

_____ Snyder elects to participate in the Test Well and returns the executed AFE.

_____ Snyder elects to Farmout its interest to Maralex on the terms contained herein.

_____ Snyder would entertain an offer to sell its interest in the drillsite spacing unit to Maralex.

Agreed to and accepted this _____day of _____, 1991.

By: _____

Snyder Operating Partnership, L. P.

MARALEX
Resources, Inc.

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

February 8, 1991

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

Re: Oil & Gas Lease
T 30 N-R 11 W
Section 19
San Juan Co.,
New Mexico

Dear Mr. and Mrs. Fisher:

Pursuant to our recent phone conversation, enclosed is an Oil and Gas Lease and bank draft for your interest in the captioned lands. These instruments were prepared with the following terms and conditions:

Lessor's Royalty:	One-eighth (1/8)
Term:	Two (2) years
Total Bonus:	$50.00

Should the above terms be acceptable and you find the enclosed documents in order, please:

1) Sign the original lease at the bottom before a Notary Public exactly as typed, and insert your Social Security numbers in the spaces provided;

2) Have the Notary Public execute the Acknowledgement on the back of the lease and affix their seal;

3) Deposit the signed, notarized lease and draft at your bank. They will send both the lease and draft through Maralex's bank for collection and payment.

Please retain for your records the enclosed copies of both the lease and draft. Should you have any questions, contact me at the captioned telephone number. Thank-you for your assistance in this matter.

Sincerely,

Jennifer Ritcher

Jennifer Ritcher, C. P. L.
Landman

Producers 88—Rev. 1988
Rocky Mountain (Colo. CBM)

OIL AND GAS LEASE

AGREEMENT, made and entered into this 8th day of February 19 91

by and between

Thomas M. Fisher and Donita R. Fisher, husband and wife, as joint tenants
P. O. Box 188
Shiprock, New Mexico 87420

Party of the first part, hereinafter called lessor (whether one or more) and Maralex Resources, Inc.
518 17th Street, Suite 1030, Denver, Colorado 80202, Party of the second part, hereinafter called lessee.

WITNESSETH, that the said lessor, for and in consideration of Ten and No/100ths---------- Dollars cash in hand paid, receipt of which is hereby acknowledged and of the covenants and agreements hereinafter contained on the part of the lessee to be paid, kept and performed, has granted, demised, leased, and let and by these presents does grant, demise, lease, and let exclusively unto the said lessee, its successors and assigns, for the sole and only purposes of surveying, by geological, geophysical, and all other methods, exploring, mining and operating for, and producing oil, gas, and other hydrocarbons, and all other minerals or substances, whether similar or dissimilar, including, but not limited to, coalbed methane, helium, nitrogen, carbon dioxide, and all substances produced in association therewith from coal-bearing formations or elsewhere, that may be produced from any well drilled by lessee on the leased premises hereinafter described, and laying pipelines, and building tanks, power stations and structures thereon to produce, save, and take care of said products, all that certain tract of land together with any reversionary, remainderman and springing executory rights therein, situate in the County of San Juan, State of New Mexico, described as follows, to wit:

See Exhibit "A" attached hereto

together with all strips, or parcels of land, (not, however, to be construed to include parcels comprising a regular 40-acre legal subdivision or lot of approximately corresponding size) adjoining or contiguous to the above described land and owned or claimed by lessor, and containing 4.68 acres, more or less.

1. Without reference to the commencement, prosecution or cessation at any time of drilling or other development operations and/or to the discovery, development or cessation at any time of production of oil, gas or other hydrocarbons including coalbed methane or other minerals or substances covered hereby (herein collectively referred to as "oil or gas") or either or any of them, and without further payments other than the royalties herein provided and notwithstanding anything herein contained to the contrary, it is agreed that this lease shall remain in force for a term of two (2) years from the date hereof, and as long thereafter as oil and gas, or either or any of them, is produced from said lands or premises pooled therewith or drilling operations are continued as hereinafter provided by the lessee, its successors and assigns. During the term of this lease, lessor agrees not to enter into any oil and gas lease with any other party covering any lands covered by this lease.

2. This is a PAID-UP LEASE. In consideration of the cash down payment, lessor agrees that lessee shall not be obligated, except as otherwise provided herein, to commence or continue any operations during the primary term. Lessee may at any time or times during or after the primary term surrender this lease as to all or any portion of said land and as to any strata or stratum by delivering to lessor or by filing for record a release or releases, and be relieved of all obligation thereafter accruing as to the acreage surrendered.

3. In consideration of the premises the said lessee covenants and agrees:

First. The lessee shall deliver to the credit of lessor as royalty, free of cost in the pipeline to which lessee may connect its wells, the equal one-eighth (1/8th) part of all oil produced and saved from the leased premises, or at lessee's option, lessee may buy or sell such one-eighth (1/8th) royalty and pay lessor the market price for oil of like grade and gravity prevailing in the field on the day such oil is run into pipelines or into storage tanks.

Second. To pay lessor one-eighth (1/8th) of the net proceeds at the well from the proceeds received for gas sold from each well where gas only is found, or the market value at the well of such gas used off the premises.

Third. To pay lessor one-eighth (1/8th) of the market value at the well for gas produced from any oil well and used off the premises, or for the manufacture of casing-head gasoline or dry commercial gas.

Fourth. To pay lessor one-eighth (1/8th) of the proceeds received from the sale of any substance covered by this lease, other than oil and gas and the products thereof, which lessee may elect to produce, save, and market from the leased premises.

4. If at the expiration of the primary term of this lease, oil or gas is not being produced on the leased premises or on acreage pooled therewith but lessee is then engaged in drilling or re-working operations thereon, then this lease shall continue in force so long as operations are being continuously prosecuted on the leased premises or on acreage pooled therewith; and operations shall be considered to be continuously prosecuted if not more than ninety (90) days shall elapse between the completion or abandonment of one well and the beginning of operations for the drilling of a subsequent well. If after discovery of oil or gas on said land or on acreage pooled therewith, the production thereof should cease from any cause after the primary term, this lease shall not terminate if lessee commences additional drilling or re-working operations within ninety (90) days from date of cessation of production or from date of completion of dry hole. If oil or gas shall be discovered and produced as a result of such operations at or after the expiration of the primary term of this lease, this lease shall continue in force so long as oil or gas is produced from the leased premises or on acreage pooled therewith.

5. If a well capable of producing oil or gas is located on said land and is shut-in before production commences, or at any time thereafter, this lease shall continue in effect from the date such well is shut-in until the anniversary date (herein called "said anniversary date") of this lease next ensuing after the expiration of ninety (90) days from the date such well is shut-in. Lessee may thereafter pay or tender to lessor as royalty, on or before said anniversary date, an amount of $100.00 per well per year, and if such payment or tender is made, such well shall continue this lease in effect for a further period of one year from said anniversary date, and in like manner and upon like payments or tenders annually made on or before the anniversary date hereof, this lease shall continue in effect for successive periods of twelve (12) months each. Notwithstanding any other provision to the contrary, this lease shall not terminate because of a failure to properly or timely make a shut-in well payment unless lessor shall have given lessee written notice of such failure to properly or timely make such shut-in well payment and lessee shall have failed for a period of thirty (30) days after receipt of such notice to tender such payment in the proper amount, together with a late or improper payment penalty of $100.00.

6. If said lessor owns a less interest in the above described land than the entire and undivided fee simple estate therein, then the royalties herein provided shall be paid the lessor only in the proportion which his interest bears to the whole and undivided fee. Any interest in the production from the above described land to which the interest of lessor may be subject shall be deducted from the royalties provided for herein.

7. Lessee shall have the right to use, free of cost, oil or gas and water produced on said land for its operations thereon, except water from wells of lessor. Lessee shall have the right at any time to remove all machinery and fixtures placed on said premises, including the right to draw and remove casing.

8. Lessee shall pay for damages caused by its operations to growing crops on said lands. When requested by the lessor, lessee shall bury his pipelines below plow depth. No well shall be drilled nearer than 200 feet to the house or barn now on said premises, without written consent of the lessor.

9. Lessee, at its option, is hereby given the right and power at any time and from time to time as a recurring right, either before or after production as to all or any part of the land described herein and as to any one or more of the formations hereunder, to pool or unitize the leasehold estate and the mineral estate covered by this lease with other land, lease or leases in the immediate vicinity for the production of oil or gas, or both, when in lessee's judgment it is necessary or advisable to do so, and irrespective of whether authority similar to this exists with respect to such other land, lease or leases. Likewise, units previously formed to include formations not producing oil or gas, may be reformed to exclude such non-producing formations. The forming or reforming of any unit shall be accomplished by lessee executing and filing of record a declaration of such unitization or reformation, which declaration shall describe the unit. Any unit may include land upon which a well has theretofore been completed or upon which operations for drilling have theretofore been commenced. Production, drilling or reworking operations, or a well shut in anywhere on a unit which includes all or part of this lease shall be treated as if it were production, drilling or reworking operations, or a well shut in under this lease. In lieu of the royalties elsewhere herein specified, excluding shut-in royalties, lessor shall receive on production from the unit so pooled royalties only on the portion of such production allocated to this lease; such allocation shall be that proportion of the unit production that the total number of surface acres covered by this lease and included in the unit bears to the total number of surface acres in such unit. In addition to the foregoing, lessee shall have the right to unitize, pool, or combine all or any part of the above described lands as to one or more of the formations thereunder with other lands in the same general area by entering into a cooperative or unit plan of development or operation approved by any governmental authority and, from time to time, with like approval, to modify, change or terminate any such plan or agreement and, in such event, the terms, conditions and provisions of this lease shall be deemed modified to conform to the terms, conditions, and provisions of such approved cooperative or unit plan of development or operation and, particularly, all drilling and development requirements of this lease, express or implied, shall be satisfied by compliance with the drilling and development requirements of such plan or agreement, and this lease shall not terminate or expire during the life of such plan or agreement. In the event that said above described lands or any part thereof, shall hereafter be operated under any such cooperative or unit plan of development or operation whereby the production therefrom is allocated to different portions of the land covered by said plan, then the production allocated to any particular tract of land shall, for the purpose of computing the royalties to be paid hereunder to lessor, be regarded as having been produced from the particular tract of land to which it is allocated and not to any other tract of land; and the royalty payments to be made hereunder to lessor shall be based upon production only as so allocated. Lessor shall formally express lessor's consent to any cooperative or unit plan of development or operation adopted by lessee and approved by any governmental agency by executing the same upon request of lessee.

10. If the estate of either party hereto is assigned or sublet, and the privilege of assigning or subletting in whole or in part is expressly allowed, the express and implied covenants hereof shall extend to the sublessees, successors, and assigns of the parties; and in the event of an assignment or subletting by lessee, lessee shall be relieved and discharged as to the leasehold rights so assigned or sublet from any liability to lessor thereafter accruing upon any of the covenants or conditions of this lease, either express or implied. No change in the ownership of the land or royalties, however accomplished, shall operate to enlarge the obligations or diminish the rights of lessee or require separate measuring or installation of separate tanks by lessee. Notwithstanding any actual or constructive knowledge of or notice to lessee, no change in the ownership of said land or of the right to receive royalties hereunder, or of any interest therein, whether by reason of death, conveyance, or any other matter, shall be binding on lessee (except at lessee's option in any particular case) until sixty (60) days after lessee has been furnished with either the original recorded instrument of conveyance or a duly certified copy thereof or a certified copy of the will of any deceased owner and of the probate thereof, or certified copy of the proceeding showing appointment of an administrator for the estate of any deceased owner, whichever is appropriate, together with all original recorded instruments of conveyance or duly certified copies thereof necessary in showing a complete chain of title back to lessor to the full interest claimed, and all advance payments of shut-in royalties made hereunder before receipt of said documents shall be binding on any direct or indirect assignee, grantee, devisee, administrator, executor, or heir of lessor. It is hereby agreed in the event this lease shall be assigned as to a part or parts of the above described lands and the assignee or assignees of such part or parts shall fail or make default in the payment of the proportionate part of the shut-in royalties due from him or them, such default shall not operate to defeat or affect this lease insofar as it covers a part or parts of said lands upon which the said lessee or any assignee thereof shall make due payment of said shut-in royalties.

11. All provisions hereof, express or implied, shall be subject to all applicable laws, governmental orders, rules and regulations. This lease shall not be terminated in whole or in part, nor lessee held liable in damages, because of a cessation of production or of drilling operations due to the application of such laws, governmental orders, rules and regulations or breakdown of equipment or the repairing of a well or wells, or because of such a cessation or a failure to comply with any of the express or implied provisions of this lease if such cessation or failure is the result of the exercise of governmental authority, war, lack of market, act of God, strike, fire, explosion, flood, or any other cause reasonably beyond the control of lessee. If lessee shall be prevented during the last six months of the primary term hereof from drilling a well hereunder by the order of any constituted authority having jurisdiction thereover, or if lessee should be unable during said period to drill a well hereunder due to equipment necessary in the drilling thereof not being available on account of any cause beyond the control of lessee, the primary term of this lease shall continue until six months after said order is suspended and/or said equipment is available.

12. In the event lessor considers that the lessee has failed to comply with any obligations hereunder, express or implied, lessor shall notify lessee in writing, specifying in what respect lessor claims lessee has breached this lease. Lessee shall then have sixty (60) days after receipt of said notice within which to meet or commence to meet all or any part of the breaches alleged by lessor. The service of said notice shall be precedent to the bringing of any action by lessor on said lease for any cause, and no such action shall be brought until the lapse of sixty (60) days after service of such notice on lessee. Neither the service of said notice nor the doing of any acts by lessee aimed to meet all or any of the alleged breaches shall be deemed an admission or presumption that lessee has failed to perform all its obligations hereunder.

13. Lessor hereby releases and relinquishes any right of homestead, dower or curtesy they or either of them may have in or to the leased land.

EXHIBIT "A"

Attached to and made a part of that certain Oil and Gas Lease dated February 8, 1991 by and between Maralex Resources, Inc., as Lessee and Thomas M. and Donita R. Fisher, as Lessors.

A tract of land situated in the N1/2NW1/4 of Section 19, T30N-R11W, N.M.P.M., more particularly described as follows:
Beginning at a point whence the N1/4 corner of said Section 19 bears N 60° 41'40" E a distance of 1649.75 feet;
Thence: S 15° 32'00" E a distance of 375.07 feet;
Thence: S 27° 20'30" W a distance of 60.34 feet;
Thence: N 89° 24'00" W a distance of 204.65 feet;
Thence: N 15° 32'00" W a distance of 311.70 feet; along the East line of the Denton property, (B. 731, P.44) to a point on the South right-of-way of Southside River Road;
Thence: N 62° 25'00" E a distance of 243.00 feet along the South Right-of-way line of Southside River Road to the point of beginning, containing 2.00 acres, more or less.

A tract of land situated in the N1/2NW1/4 of Section 19, T30N-R11W, N.M.P.M., more particularly described as follows:
Beginning at a point whence the N1/4 corner of said Section 19 bears N 58° 44'50" E a distance of 989.38 feet;
Thence: S 38° 26'40" W a distance of 707.47 feet;
Thence: S 27° 20'30" W a distance of 114.25 feet;
Thence: N 15° 32'00" W a distance of 375.07 feet to a point on the South right-of-way line of Southside River Road;
Thence: N 62° 25'00" E a distance of 386.90 feet along said South right-of-way of Southside River Road;
Thence: N 65° 00'00" E a distance of 199.50 feet along said right-of-way;
Thence: N 66° 00'00" E a distance of 75.54 feet along said right-of-way to the point of beginning, containing 2.68 acres, more or less.
A total of 4.68 acres, from the surface of the earth to the base of the Pictured Cliffs Formation.
San Juan County, New Mexico