EXHIBIT 1

May 23, 1990

certified

COPY

Bernice Martin Taylor
2238 Royal Oak Avenue
Duarte, California 91010

Re: Well Proposal
T 30N-R 11W
Section 17:S/2
San ~~Juan County,~~
New Mexico
Price Prospect

Dear Ms. Taylor:

Maralex Resources, Inc. (Maralex) proposes the recompletion of an existing wellbore or the drilling of a new well to be located in the SW/4 of Section 17, T30N-R11W, San Juan County, New Mexico. The recompletion will be contingent upon a mechanically sound wellbore. Said Test Well shall be drilled or recompleted to a depth of 2,200 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 and for a recompletion are $140,820, complete, as indicated on the enclosed AFE's. A record check indicates that you own an interest in the 320.00 acre drillsite spacing unit comprised of the S/2 of Section 17, T30N-R11W. Maralex invites you to participate in its proposed well or in lieu of participation, either farmout or sell your 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 yourself 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, you 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 your interest in the drillsite spacing unit and you 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 20%. You agree to deliver an eighty percent (80%) net revenue interest lease before payout. Said overriding royalty shall be convertible at payout at your 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 your interest in the drillsite spacing unit.

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

5. 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.

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 you shall receive all geologic and production data obtained by the drilling of the Test Well.

7. Maralex and yourself 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 yourself 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.

EXHIBIT 1 (cont.)

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. <u>Sale of Interest</u>

If you elect not to farmout or participate in the Test Well, Maralex would like to purchase your interest in the drillsite spacing unit. Said offer shall be subject to you 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 your election by executing in the space provided below and returning one (1) copy of this letter to the undersigned on or before June 1, 1990. This Agreement shall be null and void after that time. In addition, please contact me if you have any partners in this leasehold.

Sincerely,

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

______ I elect to participate in the Test Well and return the executed AFE.
______ I elect to Farmout my interest in the drillsite spacing unit to Maralex on the terms contained herein.
______ I would entertain an offer to sell my interest in the drillsite spacing unit to Maralex.

Agreed to and accepted this _____day of ______, 1990.

By:______________________________________

Bernice Martin Taylor

EXHIBIT 1 (cont.)

May 23, 1990

Bernice Martin Taylor
2238 Royal Oak Avenue
Duarte, California 91010

Re: Well Proposal
T 30N-R 11W
Section 18:N/2
San Juan County,
New Mexico
Brimhall Prospect

Dear Ms. Taylor:

Maralex Resources, Inc. (Maralex) proposes the recompletion of an existing wellbore or the drilling of a new well to be located in the NE/4 of Section 18, T30N-R11W, San Juan County, New Mexico. The recompletion will be contingent upon a mechanically sound wellbore. Said Test Well shall be drilled or recompleted to a depth of 2,200 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 and for a recompletion are $140,820, complete, as indicated on the enclosed AFE's. A record check indicates that you own an interest in the 320.00 acre drillsite spacing unit comprised of the N/2 of Section 18, T30N-R11W. Maralex invites you to participate in its proposed well or in lieu of participation, either farmout or sell your interest in the drillsite spacing unit for the Test Well on the following general terms and conditions.

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difference between landowner's royalty plus overriding royalties in existence as of the date of this Agreement, and 20%. You agree to deliver an eighty percent (80%) net revenue interest lease before payout. Said overriding royalty shall be convertible at payout at your option to a thirty percent (30%) working interest.

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5. 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.

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EXHIBIT 1 (cont.)

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President
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_______ I would entertain an offer to sell my interest in the drillsite spacing unit to Maralex.

Agreed to and accepted this _____day of _______, 1990.

By:____

Bernice Martin Taylor

MARALEX
Resources, Inc.

EXHIBIT 1 (cont.)

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

May 23, 1990

Geodyne Resources, Inc.
NW-8045
P.O. Box 1450
Minneapolis, MN 55485-8045

Re: Well Proposal
T30N-R11W
Section 17:S/2
San Juan County,
New Mexico
Price Prospect

Gentlemen:

Maralex Resources, Inc. (Maralex) proposes the recompletion of an existing wellbore or the drilling of a new well to be located in the SW/4 of Section 17, T30N-R11W, San Juan County, New Mexico. The recompletion will be contingent upon a mechanically sound wellbore. Said Test Well shall be drilled or recompleted to a depth of 2,200 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 and for a recompletion are $140,820, complete, as indicated on the enclosed AFE's. A record check indicates that Geodyne owns an interest in the 320.00 acre drillsite spacing unit comprised of the S/2 of Section 17, T30N-R11W. Maralex invites Geodyne 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 Geodyne 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, Geodyne 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 Geodyne's interest in the drillsite spacing unit and Geodyne 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 20%. Geodyne agrees to deliver an eighty percent (80%) net revenue interest lease before payout. Said overriding royalty shall be convertible at payout at Geodyne'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 Geodyne's interest in the drillsite spacing unit.

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5. 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.

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 Geodyne shall receive all geologic and production data obtained by the drilling of the Test Well.

7. Maralex and Geodyne 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.

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1. Maralex and Geodyne 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.

((

EXHIBIT 1 (cont.)

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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.

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Sincerely,

A. M. O'Hare

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

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Agreed to and accepted this _____day of ______, 1990.

By: ____

Geodyne Resources, Inc.

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Agreed to and accepted this _____day of ______, 1990.

By: ____

Geodyne Resources, Inc.

EXHIBIT 1 (cont.)

May 23, 1990

Elliot A. Riggs
Box 711
Farmington, New Mexico 87401

Re: Well Proposal
T 30N-R 11W
Section 17:S/2
San Juan County,
New Mexico
Price Prospect

Dear Mr. Riggs:

Maralex Resources, Inc. (Maralex) proposes the recompletion of an existing wellbore or the drilling of a new well to be located in the SW/4 of Section 17, T30N-R11W, San Juan County, New Mexico. The recompletion will be contingent upon a mechanically sound wellbore. Said Test Well shall be drilled or recompleted to a depth of 2,200 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 and for a recompletion are $140,820, complete, as indicated on the enclosed AFE's. A record check indicates that you own an interest in the 320.00 acre drillsite spacing unit comprised of the S/2 of Section 17, T30N-R11W. Maralex invites you to participate in its proposed well or in lieu of participation, either farmout or sell your interest in the drillsite spacing unit for the Test Well on the following general terms and conditions.

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2. Upon Maralex completing the drilling of the Test Well as a producer, Maralex shall earn 100% of your interest in the drillsite spacing unit and you 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 20%. You agree to deliver an eighty percent (80%) net revenue interest lease before payout. Said overriding royalty shall be convertible at payout at your option to a thirty percent (30%) working interest.

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Elliot A. Riggs

EXHIBIT 1 (cont.)

May 23, 1990

Elliot A. Riggs
Box 711
Farmington, New Mexico 87401

Re: Well Proposal
T 30N-R 11W
Section 18:N/2
San Juan County,
New Mexico
Brimhall Prospect

Dear Mr. Riggs:

Maralex Resources, Inc. (Maralex) proposes the recompletion of an existing wellbore or the drilling of a new well to be located in the NE/4 of Section 18, T30N-R11W, San Juan County, New Mexico. The recompletion will be contingent upon a mechanically sound wellbore. Said Test Well shall be drilled or recompleted to a depth of 2,200 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 and for a recompletion are $140,820, complete, as indicated on the enclosed AFE's. A record check indicates that you own an interest in the 320.00 acre drillsite spacing unit comprised of the N/2 of Section 18, T30N-R11W. Maralex invites you to participate in its proposed well or in lieu of participation, either farmout or sell your interest in the drillsite spacing unit for the Test Well on the following general terms and conditions.

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Agreed to and accepted this _____day of _______, 1990.

By:____

Elliot A. Riggs

EXHIBIT 1 (cont.)

May 23, 1990

C.& E. Operators
Two Energy Square
Suite 1100
Dallas, TX 75206
Attn: Mr. Webb Carr

Re: Well Proposal
T30N-R11W
Section 18:N/2
San Juan County,
New Mexico
Brimhall Prospect

Gentlemen:

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5. 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.

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 C&E shall receive all geologic and production data obtained by the drilling of the Test Well.

7. Maralex and C&E 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 or recomplete the Test Well shall be limited to the loss of opportunity to earn the interest hereinabove described.

II. <u>Participation</u>

1. Maralex and C&E 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. <u>Sale of Interest</u>

If C&E elects not to farmout or participate in the Test Well, Maralex would like to purchase C&E's interest in the drillsite spacing unit. Said offer shall be subject to C&E 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 C&E's election by executing in the space provided below and returning one (1) copy of this letter to the undersigned on or before June 1, 1990. This Agreement shall be null and void after that time. In addition, please contact me if C&E has any partners in this leasehold.

Sincerely,

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

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

Agreed to and accepted this _____day of _______, 1990.

By: ____

C&E Operators

RECEIPT REQUESTED
of the addressee
front of this

EXHIBIT 1 (cont.)

Copy

July 3, 1990

Meridian Oil, Inc.
Attn: Mr. Kent Beers
P. O. Box 4289
Farmington, NM 87499

Re: Well Proposals
Sections 8, 17, 18, 19
T30N, R11W, and
Section 24, T30N, R12W,
San Juan County, NM

Gentlemen:

Maralex Resources, Inc. (Maralex) proposes the drilling and/or recompletion of Basal Fruitland Coal test wells to be located in the sections shown above in San Juan County, New Mexico. Maralex's estimated costs, (as shown on the attached AFE's) are $235,750 for a newly completed well and $140,820 for a recompleted well. Wells to be located in the southwest quarter of Section 17, T30N, R11W and the northeast quarters of Section 18, T30N, R11W and Section 24, T30N, R12W will be recompleted from the Pictured Cliffs formation to the Basal Fruitland Coal Formation. The other two wells will be located in the northeast quarters of the subject sections and will be new wells. A record check indicates that Meridian owns an interest in each of the subject 320.00 acre drillsite spacing units. Maralex invites Meridian to participate in the proposed wells or in lieu of participation, either farmout or enter into a mutually acceptable Joint Operating Agreement and elect to non-consent each well proposal on the following general terms and conditions.

I. Farmout and Continuous Option Farmout

Maralex proposes the recompletion of an abandoned wellbore located in the NE/4 of Section 24, T30N, R12W, San Juan County, New Mexico, hereinafter referred to as "Initial Test Well". In support of our test, Maralex requests a Farmout and Continuous Option Farmout of your interest in the lands described in Paragraph 1, below, and hereinafter referred to as "Farmout Lands", on the following general terms and conditions:

1. The Farmout Lands shall include the following:

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

Township 30 North, Range 11 West
Section 8: Northeast quarter (NE/4)
Section 17: Southeast quarter (SE/4)
Section 18: Northwest quarter (NW/4)
Section 19: Northeast quarter (NE/4)
San Juan County, New Mexico

2. The Initial Test Well shall be drilled or recompleted to a depth of 2,100 feet or to a depth sufficient to test the Basal Fruitland Coal Formation, whichever is the lesser depth.

3. Maralex shall commence or cause to be commenced the drilling of the Initial Test Well within sixty (60) days from the date of final execution by Meridian 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, Meridian shall grant an extension for the commencement of, or allow Maralex to move the location of the Initial Test Well.

4. Upon Maralex completing the drilling of the Initial Test Well as a producer, Maralex shall earn 100% of Meridian's interest in the drillsite spacing unit and Meridian 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 20%. Meridian agrees to deliver an eighty percent (80%) net revenue interest lease before payout. Said overriding royalty shall be convertible at payout at Meridian's option to a thirty percent (30%) working interest.

5. If the Initial Test Well is a dry hole or is incapable of producing in paying quantities, Maralex shall

earn seventy percent (70%) of Meridian's interest in the drillsite spacing unit.

6. By drilling the Initial Test Well and completing it as a producer or abandoning it as a dry hole, Maralex shall earn the option but not the obligation, for a period of sixty (60) days from drilling rig (or completion rig, as the case may be) release of the Initial Test Well to commence or cause to be commenced a similar test, hereinafter referred to as "Option Test Well", on an undrilled drillsite spacing unit within the Farmout Lands which would include all or a portion of Meidian's acreage within the drillsite spacing unit. Maralex shall diligently drill said Option Test Well to a depth of 2,100 feet or to a depth sufficient to test the Basal Fruitland Coal Formation, whichever is the lesser depth. The earning provisions for the Option Test Well shall be the same as those provided in Paragraphs 4 and 5 herein for the Initial Test Well but shall apply to the particular drillsite spacing unit which is drilled.

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

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

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

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

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

12. Maralex and Meridian agree to enter into a formal Farmout Agreement covering the Farmout Lands. Maralex and Meridian 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, on a well by well basis, of the Initial Test Well and Option Test Wells. Maralex shall be designated Operator of the Initial Test Well and Option Test Wells.

13. This Farmout and Continuous Option Farmout is subject to approval by Maralex of title.

14. The liability for failure to commence and drill the Initial Test Well or Option Test Wells shall be limited to the loss of opportunity to earn the interest hereinabove described.

II. <u>Participation</u>

1. Maralex and Meridian 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. Non-Consent

If Meridian elects not to farmout or participate in the Initial Test Well or Option Test Wells, Meridian and Maralex shall enter into the AAPL Form 610-1982 Joint Operating Agreement with the terms outlined above and then Merididan shall choose not to participate under the non-consent provisions of that Agreement. If Maralex is unable to acquire the necessary farmouts, participation or pooling of 100% of the interest in the drillsite spacing unit, the Joint Operating Agreement will be null and void.

This letter shall not survive a formal contract which shall incorporate the terms and conditions contained herein. Please indicate Meridian's election by executing in the space provided below and returning one (1) copy of this letter to the undersigned on or before July 20, 1990. This Agreement shall be null and void after that time. In addition, please contact me if Meridian has any partners in this leasehold.

Sincerely,

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

EXHIBIT 1 (cont.)

Meridian Oil, Inc.
Page 6
July 3, 1990

_____ Meridian elects to participate in each of the proposed wells and is returning executed AFE's.

_____ Meridian elects to Farmout their interest in the drillsite spacing unit to Maralex on the terms contained herein.

_____ Meridian will make a non-consent election regarding their interest in the proposed wells.

Agreed to and accepted this _____ day of _____________, 1990.

Firm Name: ________________________

____
Signature

____
Title

JR/mo

Certified

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:
Mr. Elliott Riggs
P.O. Box 711
Farmington, NM 87401

4. Article Number
P 352 550 452

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

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Addressee
X

6. Signature — Agent
X

7. Date of Delivery

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

FARMINGTON

PS Form 3811, Apr. 1989 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:
Geodyne Resources, Inc.
NW - 8045
P.O. Box 1450
Minneapolis, MN 55485-8045

4. Article Number
P 352 550 407

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

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Addressee
X ... S, INC.

6. Signature — Agent
X D. Hayes

7. Date of Delivery MAY 29 1990

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

PS Form 3811, Apr. 1989 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:
Meridian Oil
Attn: Kent Beers
P.O. Box 4289
Farmington, NM 87499

4. Article Number
P 352 550 414

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

Always obtain signature of addressee or agent and DATE DELIVERED.

5. Signature — Addressee
X

6. Signature — Agent
X Troy Price

7. Date of Delivery
7/1/90

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

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:
Ms. Bernice Martin Taylor
2238 Royal Oak Ave.
Duarte, CA 91010

4. Article Number
P 352 550 403

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 Bernice T Taylor

6. Signature — Agent
X

7. Date of Delivery
5-26-90

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

PS Form **3811**, Apr. 1989 **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:
C & E Operators
Attn: Mr. Webb Carr
Two Energy Square
Suite 1100
Dallas, TX 75206

4. Article Number
P 352 550 405

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 Nila Freeman

7. Date of Delivery
5-29-90

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

PS Form **3811**, Apr. 1989 **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:
Mr. Elliot A. Riggs
Box 711
Farmington, NM 87401

4. Article Number
P 352 550 406

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

Always obtain signature of addressee or agent and DATE DELIVERED.

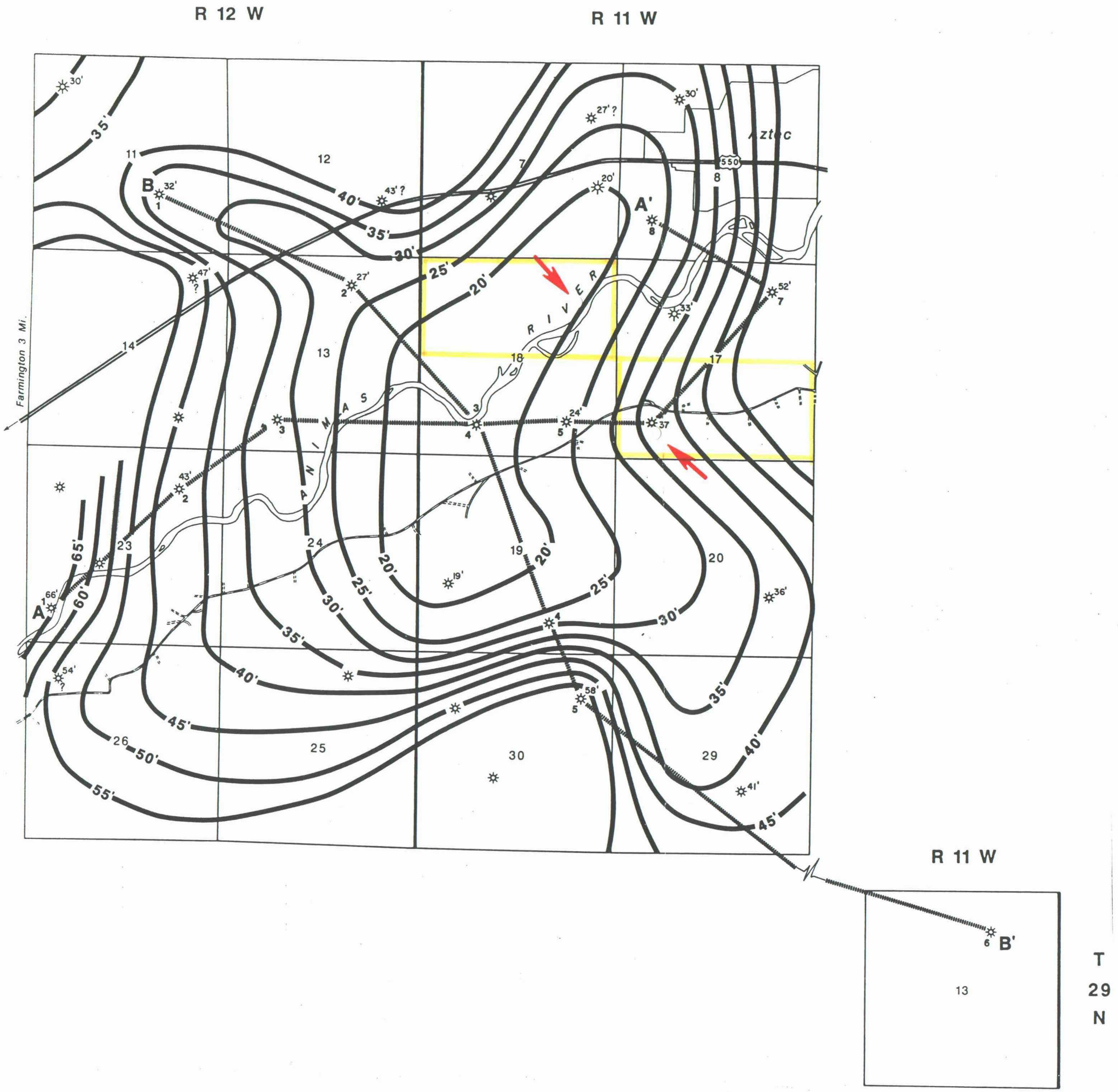
5. Signature — Addressee
X

6. Signature — Agent
X

7. Date of Delivery
5-29-90

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

PS Form **3811**, Apr. 1989 **DOMESTIC RETURN RECEIPT**



MARALEX
Resources, Inc.

518 Seventeenth Street
Suite 1030
Denver, Colorado 80202
(303) 571-4220

Southwest Aztec Area
San Juan County, NM

OVERALL FRUITLAND COAL NET ISOPACH MAP

SCALE:	(Not to Scale)
DATE:	May 7, 1990
PREPARED BY:	A.M. O'Hare
DRAWN BY:	ROCKY MTN. CARTOGRAPHY
REVISED:	

EXHIBIT 2

EXHIBIT 3

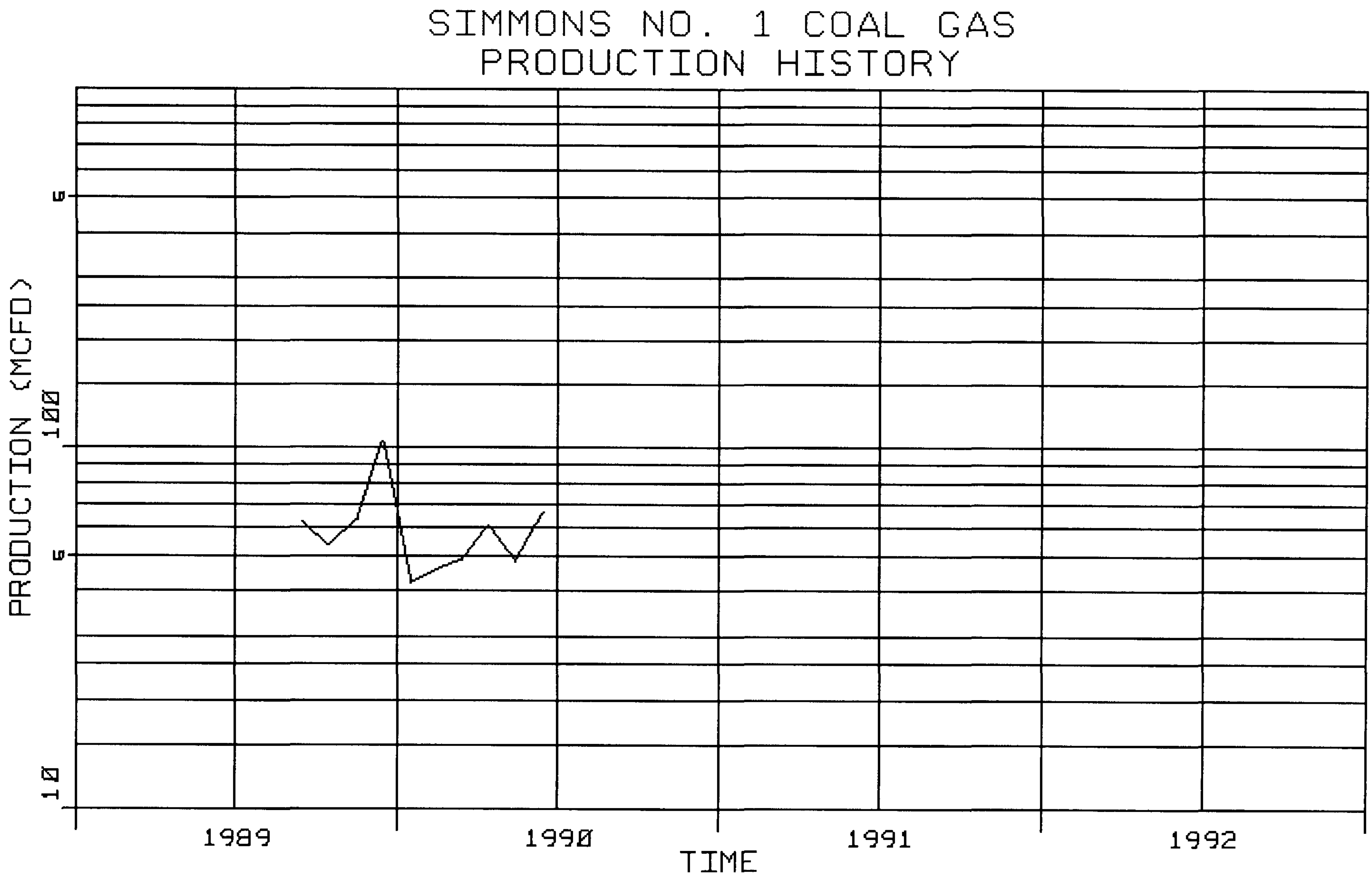

SIMMONS NO. 1 COAL GAS
PRODUCTION HISTORY
PRODUCTION (MCFD)
5
100
5
10
1989
1990
1991
1992
TIME

EXHIBIT 4

COALBED METHANE ECONOMICS

(Based on Simmons No. 1)

	Initial Rate	Init WI	Initial NRI	Decline Rates	Init Oil Price	Init Gas Price	Price Escalator	End 1st Yr. Rate	Peak Gas Rate
BOPD	0	1.00	0.769	Effective	18.00	1.35	1.06	0.00	
MCFD	65.00			0.050				104.52	105.00
				Nominal					
				0.951					

GOR	Final WI	Final NRI	Months in Yr 1	Severance Tax Rate	Op Cst $M/Mo	Cost Escalator	Capital Costs
0	0.60	0.790	6.00	0.04	0.80	1.05	235.75

Year	Gross Prod MBO	Gross Prod MMCF	NET Prod MBO	NET Prod MMcf	OIL Price $/Bbl	GAS Price $/Mcf	Gross Revenue	Tax Credit
1990	0.00	31.36	0.00	23.22	18.00	1.35	31.35	0.00
1991	0.00	38.33	0.00	28.38	19.08	1.43	40.61	0.00
1992	0.00	35.56	0.00	26.33	20.22	1.52	39.94	0.00
1993	0.00	33.83	0.00	25.05	21.44	1.61	40.27	0.00
1994	0.00	32.18	0.00	23.82	22.72	1.70	40.61	0.00
1995	0.00	30.61	0.00	22.66	24.09	1.81	40.94	0.00
1996	0.00	29.11	0.00	21.56	25.53	1.92	41.28	0.00
1997	0.00	27.69	0.00	17.91	27.07	2.03	36.35	0.00
1998	0.00	26.34	0.00	12.02	28.69	2.15	25.86	0.00
1999	0.00	25.06	0.00	11.43	30.41	2.28	26.07	0.00
2000	0.00	23.84	0.00	10.87	32.24	2.42	26.29	0.00
2001	0.00	22.67	0.00	10.34	34.17	2.56	26.51	0.00
2002	0.00	21.57	0.00	9.84	36.22	2.72	26.73	0.00
2003	0.00	20.52	0.00	9.36	38.39	2.88	26.95	0.00
2004	0.00	19.52	0.00	8.90	40.70	3.05	27.18	0.00
2005	0.00	18.56	0.00	8.47	43.14	3.24	27.40	0.00
2006	0.00	17.66	0.00	8.06	45.73	3.43	27.63	0.00
2007	0.00	16.80	0.00	7.66	48.47	3.64	27.86	0.00
2008	0.00	15.98	0.00	7.29	51.38	3.85	28.09	0.00
2009	0.00	15.20	0.00	6.93	54.46	4.08	28.32	0.00
2010	0.00	14.46	0.00	6.60	57.73	4.33	28.56	0.00
Reserves	0.00	516.82	0.00	306.71				

Year	Oper Costs	Net Rev	Cap Costs	Cash Flow	Cum Cash Flow	Disc Rate	Disc'd Cash Flow	Payout (Months)
0		0.00	235.75	-235.75	-235.75	0	245.91	86.05
1990	4.80	26.55		26.55	-209.20	10	-11.65	
1991	9.60	31.01		31.01	-178.19	15	-57.64	
1992	8.40	31.54		31.54	-146.66	20	-83.78	ROI
1993	8.82	31.45		31.45	-115.20	25	-99.15	
1994	9.26	31.34		31.34	-83.86	30	-108.30	1.04
1995	9.72	31.22		31.22	-52.64	40	-116.62	
1996	9.72	31.56		31.56	-21.08	50	-118.29	DROI(15)

EXHIBIT 4 (cont.)

1997	8.86	27.49	27.49	6.40	60	-116.96	
1998	6.43	19.43	19.43	25.83	70	-114.21	-0.24
1999	6.75	19.32	19.32	45.15	80	-110.82	
2000	7.09	19.20	19.20	64.35	90	-107.16	ROR
2001	7.45	19.06	19.06	83.42	100	-103.46	
2002	7.82	18.91	18.91	102.33			9.55
2003	8.21	18.74	18.74	121.07			
2004	8.62	18.56	18.56	139.62			
2005	9.05	18.35	18.35	157.97			
2006	9.50	18.12	18.12	176.10			
2007	9.98	17.88	17.88	193.98			
2008	10.48	17.61	17.61	211.59			
2009	11.00	17.32	17.32	228.91			
2010	11.55	17.01	17.01	245.91			
			245.91	245.91			

Exhibit 5

AUTHORITY FOR EXPENDITURE (AFE)

WELL NAME: 2100 FOOT COAL WELL

LOCATION: SECTION 17, T30N, R11W, SAN JUAN COUNTY, NM

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

Exhibit 5

AUTHORITY FOR EXPENDITURE

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/accessories (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: ______________________
A. M. O'HARE, P.E.
PRESIDENT

Partner Approval
(Company Name): ______________________

By: ______________________

Title: ______________________

Date: ______________________

Exhibit 6

AUTHORITY FOR EXPENDITURE (AFE)

WELL NAME: COAL WELL RECOMPLETION

LOCATION: Section 18, T30N, R11W

COUNTY: San Juan STATE: NM

PURPOSE: Recomplete Existing Well to Fruitland Coals

INTANGIBLE	WORKOVER COSTS		
Service Unit	6 days @ $1500/ day		9,000.00
Location	Dirt Work and labor Pits (Plastic Lined) Reclamation of reserve pit	$1000 800 1200	3,000.00
Squeeze Cementing	Cement and Services	4600	4,600.00
Logging & Tests	Open-hole Logging Desorption Analysis Cased-hole Logging BHP Build-up Test Slug Test & other Tests	0 0 2800 3500 1100	7,400.00
Perforating	30 feet @ 4 shots per foot	4900	4,900.00
Stimulation	Fracture Treatment	45000	45,000.00
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	4000	4,000.00
Overhead	Land, Legal, Insurance, etc.	1400	1,400.00
Miscellaneous	Contingency (10%)		8,970.00
	TOTAL INTANGIBLE DRILLING COSTS		$98,670.00

Exhibit 6

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
	0' of 2-3/8, 4.7#, J55 tbg	0.00
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/accessories (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	0.00
Float Equip.	Guide Shoes, Floats, etc.	0.00
Miscellaneous	Polish rod, pumping tee, fuel gas scrubber, radigan, etc.	3,500.00
	TOTAL TANGIBLE DRILLING COSTS	$42,150.00
	TOTAL INTANGIBLE DRILLING COSTS	$98,670.00
	AFE GRAND TOTAL COSTS	$140,820.00

MARALEX AUTHORIZATION: ______________________
A. M. O'HARE, P.E.
PRESIDENT

Partner Approval
(Company Name): ______________________

By: ______________________

Title: ______________________

Date: ______________________

EXHIBIT 7

COALBED METHANE ECONOMICS FOR WORKOVER

(Based on Simmons No. 1)

	Initial Rate	Init WI	Initial NRI	Decline Rates	Init Oil Price	Init Gas Price	Price Escalator	End 1st Yr. Rate	Peak Gas Rate
BOPD	0	1.00	0.769	Effective	18.00	1.35	1.06	0.00	
MCFD	65.00			0.050				104.52	105.00
				Nominal					
				0.951					

GOR	Final WI	Final NRI	Months in Yr 1	Severance Tax Rate	Op Cst $M/Mo	Cost Escalator	Capital Costs
0	0.60	0.790	6.00	0.04	0.80	1.05	140.82

Year	Gross Prod MBO	Gross Prod MMCF	NET Prod MBO	NET Prod MMcf	OIL Price $/Bbl	GAS Price $/Mcf	Gross Revenue	Tax Credit
1990	0.00	31.36	0.00	23.22	18.00	1.35	31.35	0.00
1991	0.00	38.33	0.00	28.38	19.08	1.43	40.61	0.00
1992	0.00	35.56	0.00	26.33	20.22	1.52	39.94	0.00
1993	0.00	33.83	0.00	25.05	21.44	1.61	40.27	0.00
1994	0.00	32.18	0.00	20.62	22.72	1.70	35.15	0.00
1995	0.00	30.61	0.00	13.96	24.09	1.81	25.23	0.00
1996	0.00	29.11	0.00	13.28	25.53	1.92	25.44	0.00
1997	0.00	27.69	0.00	12.63	27.07	2.03	25.65	0.00
1998	0.00	26.34	0.00	12.02	28.69	2.15	25.86	0.00
1999	0.00	25.06	0.00	11.43	30.41	2.28	26.07	0.00
2000	0.00	23.84	0.00	10.87	32.24	2.42	26.29	0.00
2001	0.00	22.67	0.00	10.34	34.17	2.56	26.51	0.00
2002	0.00	21.57	0.00	9.84	36.22	2.72	26.73	0.00
2003	0.00	20.52	0.00	9.36	38.39	2.88	26.95	0.00
2004	0.00	19.52	0.00	8.90	40.70	3.05	27.18	0.00
2005	0.00	18.56	0.00	8.47	43.14	3.24	27.40	0.00
2006	0.00	17.66	0.00	8.06	45.73	3.43	27.63	0.00
2007	0.00	16.80	0.00	7.66	48.47	3.64	27.86	0.00
2008	0.00	15.98	0.00	7.29	51.38	3.85	28.09	0.00
2009	0.00	15.20	0.00	6.93	54.46	4.08	28.32	0.00
2010	0.00	14.46	0.00	6.60	57.73	4.33	28.56	0.00
Reserves	0.00	516.82	0.00	281.26				

Year	Oper Costs	Net Rev	Cap Costs	Cash Flow	Cum Cash Flow	Disc Rate	Disc'd Cash Flow	Payout (Months)
0		0.00	140.82	-140.82	-140.82	0	304.93	49.77
1990	4.80	26.55		26.55	-114.27	10	57.27	
1991	9.60	31.01		31.01	-83.26	15	12.49	
1992	8.40	31.54		31.54	-51.73	20	-13.69	ROI
1993	8.82	31.45		31.45	-20.27	25	-29.85	
1994	7.96	27.19		27.19	6.91	30	-40.24	2.17
1995	5.83	19.39		19.39	26.30	40	-51.68	
1996	5.83	19.60		19.60	45.90	50	-56.74	DROI(15)

EXHIBIT 7 (cont.)

1997	6.13	19.52	19.52	65.42	60	-58.71	
1998	6.43	19.43	19.43	84.85	70	-59.07	0.09
1999	6.75	19.32	19.32	104.17	80	-58.54	
2000	7.09	19.20	19.20	123.37	90	-57.51	ROR
2001	7.45	19.06	19.06	142.43	100	-56.21	
2002	7.82	18.91	18.91	161.35			17.29
2003	8.21	18.74	18.74	180.09			
2004	8.62	18.56	18.56	198.64			
2005	9.05	18.35	18.35	216.99			
2006	9.50	18.12	18.12	235.12			
2007	9.98	17.88	17.88	253.00			
2008	10.48	17.61	17.61	270.61			
2009	11.00	17.32	17.32	287.93			
2010	11.55	17.01	17.01	304.93			
			304.93	304.93			

EXHIBIT 8

ARTICLE VI
continued

and the well shall then be turned over to Operator and shall be operated by it at the expense and for the account of the Consenting Parties. Upon commencement of operations for the drilling, reworking, deepening or plugging back of any such well by Consenting Parties in accordance with the provisions of this Article, each Non-Consenting Party shall be deemed to have relinquished to Consenting Parties, and the Consenting Parties shall own and be entitled to receive, in proportion to their respective interests, all of such Non-Consenting Party's interest in the well and share of production therefrom until the proceeds of the sale of such share, calculated at the well, or market value thereof if such share is not sold, (after deducting production taxes, excise taxes*, royalty, overriding royalty and other interests not excepted by Article III.D. payable out of or measured by the production from such well accruing with respect to such interest until it reverts) shall equal the total of the following:

(a) 100% of each such Non-Consenting Party's share of the cost of any newly acquired surface equipment beyond the wellhead connections (including, but not limited to, stock tanks, separators, treaters, pumping equipment and piping), plus 100% of each such Non-Consenting Party's share of the cost of operation of the well commencing with first production and continuing until each such Non-Consenting Party's relinquished interest shall revert to it under other provisions of this Article, it being agreed that each Non-Consenting Party's share of such costs and equipment will be that interest which would have been chargeable to such Non-Consenting Party had it participated in the well from the beginning of the operations; and

(b) 300 % of that portion of the costs and expenses of drilling, reworking, deepening, plugging back, testing and completing, after deducting any cash contributions received under Article VIII.C., and 300 % of that portion of the cost of newly acquired equipment in the well (to and including the wellhead connections), which would have been chargeable to such Non-Consenting Party if it had participated therein.

An election not to participate in the drilling or the deepening of a well shall be deemed an election not to participate in any reworking or plugging back operation proposed in such a well, or portion thereof, to which the initial Non-Consent election applied that is conducted at any time prior to full recovery by the Consenting Parties of the Non-Consenting Party's recoupment account. Any such reworking or plugging back operation conducted during the recoupment period shall be deemed part of the cost of operation of said well and there shall be added to the sums to be recouped by the Consenting Parties one hundred percent (100%) of that portion of the costs of the reworking or plugging back operation which would have been chargeable to such Non-Consenting Party had it participated therein. If such a reworking or plugging back operation is proposed during such recoupment period, the provisions of this Article VI.B. shall be applicable as between said Consenting Parties in said well.

During the period of time Consenting Parties are entitled to receive Non-Consenting Party's share of production, or the proceeds therefrom, Consenting Parties shall be responsible for the payment of all production, severance, excise, gathering and other taxes, and all royalty, overriding royalty and other burdens applicable to Non-Consenting Party's share of production not excepted by Article III.D.

In the case of any reworking, plugging back or deeper drilling operation, the Consenting Parties shall be permitted to use, free of cost, all casing, tubing and other equipment in the well, but the ownership of all such equipment shall remain unchanged; and upon abandonment of a well after such reworking, plugging back or deeper drilling, the Consenting Parties shall account for all such equipment to the owners thereof, with each party receiving its proportionate part in kind or in value, less cost of salvage.

Within sixty (60) days after the completion of any operation under this Article, the party conducting the operations for the Consenting Parties shall furnish each Non-Consenting Party with an inventory of the equipment in and connected to the well, and an itemized statement of the cost of drilling, deepening, plugging back, testing, completing, and equipping the well for production; or, at its option, the operating party, in lieu of an itemized statement of such costs of operation, may submit a detailed statement of monthly billings. Each month thereafter, during the time the Consenting Parties are being reimbursed as provided above, the party conducting the operations for the Consenting Parties shall furnish the Non-Consenting Parties with an itemized statement of all costs and liabilities incurred in the operation of the well, together with a statement of the quantity of oil and gas produced from it and the amount of proceeds realized from the sale of the well's working interest production during the preceding month. In determining the quantity of oil and gas produced during any month, Consenting Parties shall use industry accepted methods such as, but not limited to, metering or periodic well tests. Any amount realized from the sale or other disposition of equipment newly acquired in connection with any such operation which would have been owned by a Non-Consenting Party had it participated therein shall be credited against the total unreturned costs of the work done and of the equipment purchased in determining when the interest of such Non-Consenting Party shall revert to it as above provided; and if there is a credit balance, it shall be paid to such Non-Consenting Party.

* Windfall Profits and all severance taxes.

III. OVERHEAD

1. **Overhead - Drilling and Producing Operations**

   i. As compensation for administrative, supervision, office services and warehousing costs, Operator shall charge drilling and producing operations on either:

   (X) Fixed Rate Basis, Paragraph 1A, or
   ( ) Percentage Basis, Paragraph 1B

   Unless otherwise agreed to by the Parties, such charge shall be in lieu of costs and expenses of all offices and salaries or wages plus applicable burdens and expenses of all personnel, except those directly chargeable under Paragraph 3A, Section II. The cost and expense of services from outside sources in connection with matters of taxation, traffic, accounting or matters before or involving governmental agencies shall be considered as included in the overhead rates provided for in the above selected Paragraph of this Section III unless such cost and expense are agreed to by the Parties as a direct charge to the Joint Account.

   ii. The salaries, wages and Personal Expenses of Technical Employees and/or the cost of professional consultant services and contract services of technical personnel directly employed on the Joint Property:

   ( ) shall be covered by the overhead rates, or
   (X) shall not be covered by the overhead rates.

   iii. The salaries, wages and Personal Expenses of Technical Employees and/or costs of professional consultant services and contract services of technical personnel either temporarily or permanently assigned to and directly employed in the operation of the Joint Property:

   ( ) shall be covered by the overhead rates, or
   (X) shall not be covered by the overhead rates.

   A. Overhead - Fixed Rate Basis

   (1) Operator shall charge the Joint Account at the following rates per well per month:

   Drilling Well Rate $ 2800.00
   (Prorated for less than a full month)

   Producing Well Rate $ 280.00

   (2) Application of Overhead - Fixed Rate Basis shall be as follows:

   (a) Drilling Well Rate

   (1) Charges for drilling wells shall begin on the date the well is spudded and terminate on the date the drilling rig, completion rig, or other units used in completion of the well is released, whichever is later, except that no charge shall be made during suspension of drilling or completion operations for fifteen (15) or more consecutive calendar days.

   (2) Charges for wells undergoing any type of workover or recompletion for a period of five (5) consecutive work days or more shall be made at the drilling well rate. Such charges shall be applied for the period from date workover operations, with rig or other units used in workover, commence through date of rig or other unit release, except that no charge shall be made during suspension of operations for fifteen (15) or more consecutive calendar days.

   (b) Producing Well Rates

   (1) An active well either produced or injected into for any portion of the month shall be considered as a one-well charge for the entire month.

   (2) Each active completion in a multi-completed well in which production is not commingled down hole shall be considered as a one-well charge providing each completion is considered a separate well by the governing regulatory authority.

   (3) An inactive gas well shut in because of overproduction or failure of purchaser to take the production shall be considered as a one-well charge providing the gas well is directly connected to a permanent sales outlet.

   (4) A one-well charge shall be made for the month in which plugging and abandonment operations are completed on any well. This one-well charge shall be made whether or not the well has produced except when drilling well rate applies.

   (5) All other inactive wells (including but not limited to inactive wells covered by unit allowable, lease allowable, transferred allowable, etc.) shall not qualify for an overhead charge.

   (3) The well rates shall be adjusted as of the first day of April each year following the effective date of the agreement to which this Accounting Procedure is attached. The adjustment shall be computed by multiplying the rate currently in use by the percentage increase or decrease in the average weekly earnings of Crude Petroleum and Gas Production Workers for the last calendar year compared to the calendar year preceding as shown by the index of average weekly earnings of Crude Petroleum and Gas Production Workers as published by the United States Department of Labor, Bureau of Labor Statistics, or the equivalent Canadian index as published by Statistics Canada, as applicable. The adjusted rates shall be the rates currently in use, plus or minus the computed adjustment.

   B. Overhead - Percentage Basis

   (1) Operator shall charge the Joint Account at the following rates: