

Chronology of Events  
James Scott #1 Well  
N/2 Sec. 18 – T30N – R11W  
San Juan County, New Mexico

<b>Date:</b>	<b>Event:</b>
11/07/01	Original Re-Completion Proposal and JOA (MV and Chacra) sent out to all partners
12/06/01	After several phone conversations, Maralex sends a formal proposal out as an alternative to participating in the James Scott recomple. The letter also mentions that Maralex intends to pursue operations of the well if none of the options are chosen.
12/11/01	Burlington responds to above letter. In it all three of Maralex's proposals are declined, and Maralex is encouraged to submit an AFE for the re-completion. They are also reminded of the NMOCD deadline.
12/14/01	After phone conversations, where Maralex is still trying to pursue some sort of a trade, a second formal letter is sent advising that Burlington is not interested and will no longer entertain any sort of a trade for Maralex's interest in the James Scott #1 well. Five options are given to Maralex, and they are advised if none of the five are chosen, that force pooling will be initiated.
12/17/01	Maralex sends another offer to trade interest to Burlington. This offer was rejected by Burlington via telephone, and through their 12/14/01 correspondence.
02/07/02	Maralex sends another letter, this time in an attempt to sell their interest in the James Scott wellbore. They are put on notice verbally by Burlington that the Chacra may be dropped.
03/26/02	A formal Mesaverde only re-completion proposal is sent Certified Mail to Maralex. In this letter, the original proposal is rescinded, and Maralex is once again notified of the NMOCD demand.
04/30/02	Follow-up telephone call is made to Maralex reminding them that Burlington is still waiting for Maralex's election. Maralex advises that they are not interested in participating in the well, nor are they willing to sign a JOA and elect a non-consent position.

# BURLINGTON RESOURCES

SAN JUAN DIVISION

November 7, 2001

Maralex Resources, Inc.  
Attn: Patrick Keller, CPL  
621 17<sup>th</sup> St. Ste 1125  
Denver, CO 80293-0625

**RE: Re-completion Proposal**  
**James Scott #1**  
**Mesaverde and Chacra Formations**  
**NE/4 NE/4 Sec. 18, T30N, R11W**  
**San Juan County, New Mexico**

Dear Mr. Keller:

Burlington Resources Oil & Gas LP requests your approval to develop the Mesaverde and Chacra reservoirs through the re-completion of the referenced well at an estimated cost of \$395,790.00. This amount also includes the cost of plugging the Dakota interval. The cost of this work will be borne by the working interest owners detailed below:

<b>Formation / Dedication</b>	<b>Est. AFE</b>	<b>Owners:</b>	<b>GWI%</b>
<b>Dakota</b>	<b>\$20,155</b>	Burlington Resources	38.356116%
N/2, 325.92 Acres		Conoco Gas Holdings L.L.C.	30.378697%
		Maralex Resources, Inc.	28.841433%
		Kendrick Family Partnership, LTD.	2.423754%
			<b>100.000000%</b>
<b>Mesaverde</b>	<b>\$231,605</b>	Burlington Resources	41.992449%
N/2, 325.92 Acres		WPC Oil & Gas LP, et al	20.605889%
		Conoco Gas Holdings L.L.C.	6.136475%
		Maralex Resources, Inc.	28.841433%
		Kendrick Family Partnership, LTD.	2.423754%
			<b>100.000000%</b>
<b>Chacra</b>	<b>\$144,030</b>	Burlington Resources	28.750000%
NE/4, 160 Acres		Conoco Gas Holdings L.L.C.	12.500000%
		Maralex Resources, Inc.	58.750000%
			<b>100.000000%</b>

An AAPL model form Joint Operating Agreement (JOA) with dual formation Cost Allocation Procedures is enclosed for your review and execution. A Pooling Order will be forwarded to you in the near future.

The James Scott #1 well is on the NMOCD's demand list to either return to production or plug and abandon by December 31, 2001 resulting from the Dakota interval being non-productive since March, 1990 so your prompt response is required.

Please indicate your concurrence to participating in the re-completion by signing and returning a copy of this letter ballot, the attached AFE's, and a signature page from the enclosed JOA.

If you have any questions regarding this matter, please do not hesitate to contact me at (505) 326-9835.

Very truly yours,



Jim Troiano  
Staff Landman

**Maralex Resources, Inc.**

**The undersigned approves this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_,  
the plugging of the Dakota interval and the recompletion of the Mesaverde  
and Chacra formations for the James Scott #1 well.**

**By:** \_\_\_\_\_

**Name:** \_\_\_\_\_

**Company:** \_\_\_\_\_



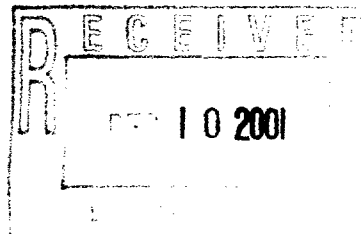
518 17th Street, Suite 1600  
Denver, Colorado 80202  
(303) 292-5636  
FAX (303) 292-5382

December 6, 2001

P.O. Box 338  
Ignacio, Colorado 81137  
(970) 563-4000  
FAX (970) 563-4116

Attn: Mr. Jim Troiano  
BURLINGTON RESOURCES  
3401 East 30<sup>th</sup> St.  
PO Box 4289  
Farmington, NM 87499-4289

Re: Transfer of Interest  
James Scott #1  
San Juan County, New Mexico



Ladies and Gentlemen:

Pursuant to our several conversations concerning the captioned, proposed well and Maralex participation therein, this letter is a proposal for an alternative to our participation.

Maralex would surrender its interest to Burlington in the Mesaverde and Chacra formations in the captioned well, allowing Burlington to go forward unobstructed, for the following consideration:

- a) Burlington grant to Maralex, operations and 51% of its interest in the Simmons #1 well and respective spacing unit, limited from the surface to the base of the Pictured Cliff formation in Section 17, T30N, R11W, San Juan County, New Mexico, or
- b) Grant to Maralex a favorable and mutually acceptable farmout on Burlington's interest from the surface to the base of the Pictured Cliff formation in the N2 of Section 20, T30N, R11W. Said farmout would provide for a reserved orri convertible to a 35% working interest at payout, or
- c) Grant to Maralex a favorable and mutually acceptable farmout on the remaining fruitland spacing unit in Sec 17, T30N, R11W subject to similar terms as option b) above.

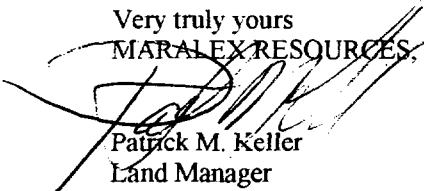
Option c) assumes that Burlington is the owner of all of the interest in Section 17.

This letter is also notice to Burlington that we feel the costs in your proposal for the James Scott well are much higher than Maralex could do the work and Maralex's combined interest in the zones of interest is higher than that of Burlington or any other individual party, therefore, if none of the options above are elected by Burlington Maralex intends to pursue operations of the well on those basis.

If Burlington wishes to consider any of the options listed herein, please contact this office and we will be happy to draft a formal agreement for your election. This offer will remain open until end of business on December 21, 2001 and in no way will this letter be binding on Maralex until such time as a formal agreement is executed.

Thank you for your consideration and attention to this matter.

Very truly yours  
MARALEX RESOURCES, INC.

  
Patrick M. Keller  
Land Manager

# **BURLINGTON RESOURCES**

SAN JUAN DIVISION

December 11, 2001

Maralex Resources, Inc.  
Attn: Mr. Patrick Keller  
518 17<sup>th</sup> Street, Suite 1600  
Denver, CO 80202

RE: Transfer of Interest Proposal (12-6-01)  
James Scott #1  
San Juan County, NM

Mr. Keller:

Burlington Resources Oil and Gas LP (Burlington) is in receipt of your December 6, 2001 correspondence to this office. With reference to said letter, the properties mentioned in options a) and b) are currently under evaluation by our staff and are not available for sale or trade. Regarding option c), Burlington does not own the interest fee simple absolute as assumed in your offer.

In response to your statement about our drilling costs and pursuing operations, I have and will continue to encourage your staff to submit an AFE for the operations set out in our November 7, 2001 proposal letter. If indeed your AFE shows that you can perform the identical procedures for a notably less amount then every effort will be made from our end to either meet your price or to assign operations to Maralex.

If you do indeed wish to submit an AFE, please send it to the attention of the undersigned at the letterhead address, or via facsimile at (505) 599-4062. Please be advised that this well is under an NMOCD demand to commence operations by December 31, 2001 so your prompt response is required. If you are unable to meet this deadline you are encouraged to sign the aforementioned proposal letter and JOA, which were sent to you last month.

If you should have any questions I can be reached at (505) 326-9835.

Very truly yours,  
BURLINGTON RESOURCES OIL AND GAS LP



Jim Troiano  
Staff Landman

# BURLINGTON RESOURCES

SAN JUAN DIVISION

December 14, 2001

Maralex Resources, Inc.  
Attn: Mr. Patrick Keller  
518 17<sup>th</sup> Street, Suite 1600  
Denver, CO 80202

RE: James Scott #1  
San Juan County, NM

Mr. Keller:

Pursuant to our conversation the other day concerning my December 11, 2001 letter to you, Burlington Resources Oil and Gas Company LP (Burlington) is not interested in pursuing a trade of any kind in return for Maralex's interest in our proposed re-completion. Burlington is willing to offer Maralex one of the following options:

1. Grant a well bore assignment to Burlington for all of your right title and interest in the Mesaverde and Chacra formations delivering to Burlington an 80% net. This would leave Maralex with a 5% Override (proportionate to their interest) in the proposed recompletion. Further it would allow Maralex to participate in any potential infill wells without penalty.
2. Sell your leasehold interest in the Mesaverde and Chacra formations to Burlington for \$4700.00 (\$50/acre x 94 acres).
3. Submit an AFE for the operations proposed in my November 7, 2001 correspondence to you. If your AFE shows that you can perform the identical procedures for a notably less amount than every effort will be made to meet your price or assign operations to you.
4. Sign and return the aforementioned proposal letter and Joint Operating Agreement (JOA) and join with Burlington on the development of the James Scott #1 well.
5. Sign and return the JOA and elect a non-consent position with a 300% penalty.

Please elect an option and notify the undersigned of your decision as soon as possible. In that regard should we not hear from you by December 20, 2001 we will be forced to pursue compulsory pooling under the rules and regulations of the State of New Mexico Oil Conservation Division.

If I can be of any assistance in your review of the proposal please advise.

Very truly yours,



Jim Troiano  
Staff Landman



518 17th Street, Suite 1600  
Denver, Colorado 80202  
03) 292-5636  
FAX (303) 292-5382

December 17, 2001

P.O. Box 338  
Ignacio, Colorado 81137  
(970) 563-4000  
FAX (970) 563-4116

Attn: Mr. Jim Troiano  
BURLINGTON RESOURCES  
3401 East 30<sup>th</sup> St.  
PO Box 4289  
Farmington, NM 87499-4289

Re: Transfer of Interest  
James Scott #1  
San Juan County, New Mexico

Ladies and Gentlemen:

Pursuant to our several conversations concerning the captioned, proposed well and Maralex participation therein, this letter is a second proposal for an alternative to our participation.

As you know from my letter of December 6, '01, we are interested in trading our interest in the Mesaverde and Chacra formations in the James Scott well for your interest in the Simmons well in Section 17. Therefore we suggest the following trade:

Maralex will transfer to Burlington all of its interest in the Mesaverde and Chacra formations in the well bore of the James Scott well. Maralex would also grant to Burlington the right to drill one infill well with the assigned rights. Any further infill and Maralex would retain the rights. In return Burlington would assign 75% of its rights in the Simmons borehole and operations to Maralex. Burlington would keep all infill rights in the spacing unit. The respective transfers would take place with each party retaining an orri on its interest, but delivering to the other party a net revenue interest of 80%.

If this offer is acceptable to you please sign below on behalf of Burlington and return one copy of this letter for our file. This letter is not binding upon either party until such time as we enter into a formal agreement.

Thank you for your consideration and attention to this matter.

Very truly yours  
MARALEX RESOURCES, INC.



Patrick M. Keller  
Land Manager

Agreed to and accepted this \_\_\_\_ day of December 2001.  
BURLINGTON RESOURCES

By: \_\_\_\_\_



518 17th Street, Suite 1600  
Denver, Colorado 80202  
(303) 292-5636  
FAX (303) 292-5382

P.O. Box 338  
Ignacio, Colorado 81137  
(970) 563-4000  
FAX (970) 563-4116

February 7, 2002

Attn: Mr. Jim Troiano  
BURLINGTON RESOURCES  
3401 East 30<sup>th</sup> St.  
PO Box 4289  
Farmington, NM 87499-4289

Re: Transfer of Interest  
James Scott #1  
San Juan County, New Mexico

Ladies and Gentlemen:

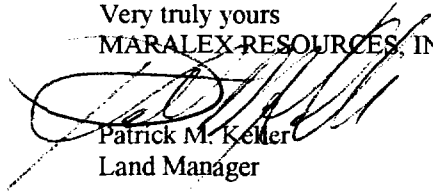
Pursuant to our several conversations concerning the captioned, proposed well and Maralex participation therein, this letter is a second response to your letter of December 14, '01 and a second proposal for an alternative to our participation.

For Ten Thousand Dollars (\$10,000.00) paid by Burlington Resources to Maralex, Maralex would grant a well bore assignment to Burlington for all of its right title and interest in the Mesaverde, Dakota and Chacra formations, limited to the well bore, delivering to Burlington a Seventy-five percent (75%) net revenue interest. The overriding royalty reserved therein would be proportionate to Maralex's present interest. This would allow Maralex to participate in any potential wells on the lease or infill in the spacing unit.

If this offer is acceptable to you please sign below on behalf of Burlington and return one copy of this letter for our file. This letter is not binding upon either party until such time as we enter into a formal agreement.

Thank you for your consideration and attention to this matter.

Very truly yours  
MARALEX RESOURCES, INC.



Patrick M. Keller  
Land Manager

Agreed to and accepted this \_\_\_\_ day of February 2002.  
BURLINGTON RESOURCES

By: \_\_\_\_\_



# BURLINGTON RESOURCES

SAN JUAN DIVISION

26 March 2002

CERTIFIED MAIL

Maralex Resources, Inc.  
Attn: Patrick Keller  
518 17<sup>th</sup> Street, Suite 1600  
Denver, CO 80202

**RE: Re-completion Proposal  
James Scott #1  
Mesaverde Formation  
NE/4 NE/4 Sec. 18, T30N, R11W  
San Juan County, New Mexico**

Dear Patrick:

Burlington Resources Oil & Gas LP requests your approval to develop the Mesaverde reservoir through the re-completion of the referenced well at an estimated cost of \$307,215.00. This amount also includes the cost of plugging the Dakota interval. This well was originally proposed in November of 2001 as a Chacra/Mesaverde Recomplete. However, we have, in recent months, updated our newest reserve data for the subject area and, in light of this information, we feel that the Chacra is no longer economically justifiable. The cost of this work will be borne by the working interest owners detailed below:

<b>Formation / Dedication</b>	<b>Est. AFE</b>	<b>Owners:</b>	<b>GWT%</b>
<b>Dakota</b>	<b>\$20,155</b>	Burlington Resources	38.356116%
N/2, 325.92 Acres		Conoco Gas Holdings L.L.C.	30.378697%
		Maralex Resources, Inc.	28.841433%
		Kendrick Family Partnership, LTD.	2.423754%
			<b>100.000000%</b>
<b>Mesaverde</b>	<b>\$287,060</b>	Burlington Resources	41.992449%
N/2, 325.92 Acres		C & E Operators Inc., et al	20.605889%
		Conoco Gas Holdings L.L.C.	6.136475%
		Maralex Resources, Inc.	28.841433%
		Kendrick Family Partnership, LTD.	2.423754%
			<b>100.000000%</b>

The James Scott #1 well is on the NMOCD's demand list to either return to production or plug and abandon by June 1, 2002 resulting from the Dakota interval being non-productive since March, 1990 so your prompt response is required.

Please indicate your concurrence to participating in the re-completion by signing and returning a copy of this letter ballot, the attached AFE's, as well as an executed signature page to our mutually agreed JOA form sent to you with the initial proposal in November. If you are unable to locate the aforementioned JOA please contact the undersigned and another copy will be provided for you.

If you have any questions regarding this matter, please do not hesitate to contact me at (505) 326-9835.

Regards,



Jim Troiano  
Staff Landman

**Maralex Resources, Inc.**

The undersigned approves this \_\_\_\_\_ day of \_\_\_\_\_, 20\_\_\_\_,  
the plugging of the Dakota interval and the recompletion of the Mesaverde  
formation for the James Scott #1 well.

By: \_\_\_\_\_

Name: \_\_\_\_\_

Company: \_\_\_\_\_