

March 1, 1994

Norman & Loretta Gilbreath

RE: Offer to Purchase
S. W. Aztec Area
San Juan Co., New Mexico

Dear Mr. & Mrs. Gilbreath:

Per our recent conversation, I hereby submit the following offer to Norman and Loretta Gilbreath ("Seller"), subject to the terms and conditions contained herein:

1. The purchase price shall be Fourteen Thousand and no/100ths Dollars (\$14,000.00) for all of Seller's right, title and interest in the oil and gas properties including wells and associated equipment described below (hereinafter referred to as the "Properties").
2. The Properties shall be defined as follows:

Township 30 North, Range 11 West, N.M.P.M.
Section 19: All
Wright #1 well located in the SE/4 of Section 19.

Township 30 North, Range 12 West, N.M.P.M.
Section 24: All
Blancett #1 well located in the NE/4 of Section 24.
San Juan County, New Mexico
3. I shall assume all plugging and restoration liability associated with wells operated by Seller and located on the Properties.
4. There shall be reserved to Seller an overriding royalty interest in and to the stratigraphic equivalent of the Pictured Cliffs Formation only, in an amount equal to the difference between existing burdens of record as of the date of this Agreement and twenty-three percent (23%). Seller agrees to deliver seventy-seven percent (77%) net revenue interest leases.

Gilbreath
Page 1

Application of Maralex Resources, Inc.
for Compulsory Pooling
Case #11007 June 23, 1994
Exhibit 3

5. Such price shall be subject to adjustment in the event that during review of the Properties, I discover any defects in or problems relating to the Properties which impair their value, including such defects relating to (i) title, burdens, preferential rights and consents; (ii) requirements to deliver production from the Properties at some future time without then or thereafter receiving full payment therefore; (iii) gas balancing claims and/or settlements and (iv) material adverse regulatory requirements, commitments, contingencies or litigations.
6. The Properties shall be free and clear of all liens, mortgages and other burdens or encumbrances, except the burdens on production of record as of the date of this offer.
7. Seller shall assign its interest in the Properties in a form and manner acceptable to me, and such assignment shall warrant title against all persons claiming any right, title or interest by, through or under Seller.
8. The Effective Time and Date of the acquisition and the apportionment of revenues, expenses and taxes relating to the Properties conveyed on the Closing Date shall be 7:00 a.m. Denver time on March 1, 1994.
9. Seller shall indemnify and hold me harmless with respect to any claims, obligations, actions and liabilities to or by third parties arising from activities involving the Properties which occur prior to the closing. I shall indemnify and hold Seller harmless with respect to any claims, obligations, actions and liabilities to or by third parties subsequent to the closing.
10. The Closing Date shall be no later than March 15, 1994, at a time and place mutually agreed upon by me and Seller.
11. This offer shall expire unless accepted by Seller in writing on or before 4:30 p.m., Denver time on March 11, 1994.

I appreciate the opportunity to submit this offer to you. If

it is acceptable, please sign both copies of this letter and return one (1) to the undersigned. Feel free to call me at (505) 327-3177 if you have any questions relating to this offer.

Sincerely,

Jim Sullins

AGREED TO AND ACCEPTED this _____ day of March, 1994.

Norman Gilbreath

Loretta Gilbreath



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

P.O. Box 338
Ignacio, Colorado 81137
(303) 563-4000

March 18, 1994

Mr. Jim Sullins
c/o Robert L. Bayless
P. O. Box 168
Farmington, New Mexico 87499

RE: Norman and Loretta Gilbreath
Offer to Purchase
S. W. Aztec Area
San Juan Co., New Mexico

Dear Jim:

Per our telephone conversation, please meet with Norman and Loretta Gilbreath and present them the enclosed offer on behalf of Maralex Resources, Inc.

If you have any questions or need anything further, please do not hesitate to call me.

Sincerely,

Jennifer A. Ritcher /dlw
Jennifer A. Ritcher, CPL
Land Manager

Enclosures



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

March 18, 1994

P.O. Box 338
Ignacio, Colorado 81137
(303) 563-4000

Norman & Loretta Gilbreath
P. O. Box 208
Aztec, New Mexico 87401

RE: Offer to Purchase
S. W. Aztec Area
San Juan Co., New Mexico

Dear Mr. & Mrs. Gilbreath:

Maralex Resources, Inc. hereby submits the following offer to Norman and Loretta Gilbreath ("Seller"), subject to the terms and conditions contained herein:

1. The purchase price shall be Twenty Thousand and no/100ths Dollars (\$20,000.00) for all of Seller's right, title and interest in the oil and gas properties including wells and associated equipment described below (hereinafter referred to as the "Properties").
2. The Properties shall be defined as follows:

Township 30 North, Range 11 West, N.M.P.M.
Section 19: All, including the
Wright #1 well located in the SE/4 of Section 19.

Township 30 North, Range 12 West, N.M.P.M.
Section 24: All, including the Blancett #1 well
located in the NE/4 of Section 24.
San Juan County, New Mexico
3. Maralex shall assume all plugging and restoration liability associated with wells operated by Seller and located on the Properties.
4. There shall be reserved to Seller an overriding royalty interest in and to the stratigraphic equivalent of the Pictured Cliffs Formation only, in an amount equal to the difference between existing burdens of record as of the date of this Agreement and twenty-three percent (23%). Seller agrees to deliver seventy-seven percent (77%) net revenue interest leases.

5. Such price shall be subject to adjustment in the event that during review of the Properties, Maralex discovers any defects in or problems relating to the Properties which impair their value, including such defects relating to (i) title, burdens, preferential rights and consents; (ii) requirements to deliver production from the Properties at some future time without then or thereafter receiving full payment therefore; (iii) gas balancing claims and/or settlements and (iv) material adverse regulatory requirements, commitments, contingencies or litigations.
6. The Properties shall be free and clear of all liens, mortgages and other burdens or encumbrances, except the burdens on production of record as of the date of this offer.
7. Seller shall assign its interest in the Properties in a form and manner acceptable to Maralex, and such assignment shall warrant title against all persons claiming any right, title or interest by, through or under Seller.
8. The Effective Time and Date of the acquisition and the apportionment of revenues, expenses and taxes relating to the Properties conveyed on the Closing Date shall be 7:00 a.m. Denver time on April 1, 1994.
9. Seller shall indemnify and hold Maralex harmless with respect to any claims, obligations, actions and liabilities to or by third parties arising from activities involving the Properties which occur prior to the closing. Maralex shall indemnify and hold Seller harmless with respect to any claims, obligations, actions and liabilities to or by third parties subsequent to the closing.
10. The Closing Date shall be no later than April 15, 1994, at a time and place mutually agreed upon by Maralex and Seller.
11. This offer shall expire unless accepted by Seller in writing on or before 4:30 p.m., Denver time on March 25, 1994.

We appreciate the opportunity to submit this offer to you.

Please indicate your acceptance or rejection to our offer by signing both copies of this letter and returning one (1) copy to the undersigned. Feel free to call me at the captioned Denver address, or our agent, Mr. Jim Sullins at (505) 327-3177 if you have any questions relating to this offer.

Sincerely,


Jennifer Ritcher, CPL
Land Manager

_____ AGREED TO AND ACCEPTED this _____ day of March, 1994.

_____ REJECTED this _____ day of March, 1994.

Norman Gilbreath

Loretta Gilbreath

Is your RETURN ADDRESS completed on the reverse side?

PS Form 3811, December 1991 * U.S.G.P.O.: 1992-307-530 DOMESTIC RETURN RECEIPT

SENDER: • Complete items 1 and/or 2 for additional services. • Complete items 3, and 4a & b. • Attach your name and address on the reverse of this form so that we can return this card to you. • Attach this form to the front of the mailpiece, or on the back if space does not permit. • Write "Return Receipt Requested" on the mailpiece below the article number. • The Return Receipt will show to whom the article was delivered and the date delivered.		I also wish to receive the following services (for an extra fee): 1. <input type="checkbox"/> Addressee's Address 2. <input type="checkbox"/> Restricted Delivery Consult postmaster for fee.	
3. Article Addressed to: Norman and Loretta Gilbreath P.O. Box 208 Aztec, NM 87410		4a. Article Number P-159-437-113	
5. Signature (Addressee) Loretta Gilbreath		4b. Service Type <input type="checkbox"/> Registered <input type="checkbox"/> Insured <input checked="" type="checkbox"/> Certified <input type="checkbox"/> COD <input type="checkbox"/> Express Mail <input type="checkbox"/> Return Receipt for Merchandise	
6. Signature (Agent)		7. Date of Delivery 3-25-94	
8. Addressee's Address (Only if requested and fee is paid)			

Thank you for using Return Receipt Service.

P 159 437 113



Receipt for Certified Mail

No Insurance Coverage Provided
 Norman and Loretta Gilbreath
 P.O. Box 208
 Aztec, NM 87410

Postage	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

1661 enrf 0083 PS Form



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

March 18, 1994

P.O. Box 338
Ignacio, Colorado 81137
(303) 563-4000

Norman & Loretta Gilbreath
P. O. Box 208
Aztec, New Mexico 87410

RE: Offer to Purchase
S. W. Aztec Area
San Juan Co., New Mexico

CERTIFIED MAIL-RETURN RECEIPT REQUESTED

Dear Mr. & Mrs. Gilbreath:

Per your recent telephone conversation with Mr. Jim Sullins, Maralex Resources, Inc. hereby submits the following offer to Norman and Loretta Gilbreath ("Seller"), subject to the terms and conditions contained herein:

1. The purchase price shall be Twenty Thousand and no/100ths Dollars (\$20,000.00) for all of Seller's right, title and interest in the oil and gas properties including wells and associated equipment described below (hereinafter referred to as the "Properties").
2. The Properties shall be defined as follows:

Township 30 North, Range 11 West, N.M.P.M.
Section 19: All, including the
Wright #1 well located in the SE/4 of Section 19.

Township 30 North, Range 12 West, N.M.P.M.
Section 24: All, including the Blancett #1 well
located in the NE/4 of Section 24.
San Juan County, New Mexico
3. Maralex shall assume all plugging and restoration liability associated with wells operated by Seller and located on the Properties.
4. There shall be reserved to Seller an overriding royalty interest in and to the stratigraphic equivalent of the Pictured Cliffs Formation only, in an amount equal to the difference between existing burdens of record as of the date of this Agreement and twenty-three percent (23%). Seller agrees to

Gilbreath
Page 1

deliver seventy-seven percent (77%) net revenue interest leases.

5. Such price shall be subject to adjustment in the event that during review of the Properties, Maralex discovers any defects in or problems relating to the Properties which impair their value, including such defects relating to (i) title, burdens, preferential rights and consents; (ii) requirements to deliver production from the Properties at some future time without then or thereafter receiving full payment therefore; (iii) gas balancing claims and/or settlements and (iv) material adverse regulatory requirements, commitments, contingencies or litigations.
6. The Properties shall be free and clear of all liens, mortgages and other burdens or encumbrances, except the burdens on production of record as of the date of this offer.
7. Seller shall assign its interest in the Properties in a form and manner acceptable to Maralex, and such assignment shall warrant title against all persons claiming any right, title or interest by, through or under Seller.
8. The Effective Time and Date of the acquisition and the apportionment of revenues, expenses and taxes relating to the Properties conveyed on the Closing Date shall be 7:00 a.m. Denver time on April 1, 1994.
9. Seller shall indemnify and hold Maralex harmless with respect to any claims, obligations, actions and liabilities to or by third parties arising from activities involving the Properties which occur prior to the closing. Maralex shall indemnify and hold Seller harmless with respect to any claims, obligations, actions and liabilities to or by third parties subsequent to the closing.
10. The Closing Date shall be no later than April 15, 1994, at a time and place mutually agreed upon by Maralex and Seller.
11. This offer shall expire unless accepted by Seller in writing on or before 4:30 p.m., Denver time on March 25, 1994.

We appreciate the opportunity to submit this offer to you. Please indicate your acceptance or rejection to our offer by signing both copies of this letter and returning one (1) copy to the undersigned. Feel free to call me at the captioned Denver address, or our agent, Mr. Jim Sullins at (505) 327-3177 if you have any questions relating to this offer.

Sincerely,


Jennifer Ritcher, CPL
Land Manager

_____ AGREED TO AND ACCEPTED this _____ day of March, 1994.

_____ REJECTED this _____ day of March, 1994.

Norman Gilbreath

Loretta Gilbreath



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

P.O. Box 338
Ignacio, Colorado 81137
(303) 563-4000

April 7, 1994

Mr. Jim Sullins
c/o Robert L. Bayless
P. O. Box 168
Farmington, New Mexico 87499

RE: Farmout Request, T30N-R11W, Sec. 19: S/2
San Juan County, New Mexico
Flora Vista Area

Dear Jim:

Per our telephone conversation last week, please find enclosed a two originals of a request for farmout which we would like for you to present to Norman and Loretta Gilbreath.

Let me know if you have any questions concerning the proposal.

Sincerely,


Jennifer Ritcher, CPL
Land Manager

Enclosures



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

P.O. Box 338
Ignacio, Colorado 81137
(303) 563-4000

April 6, 1994

Norman & Loretta Gilbreath
P. O. Box 208
Aztec, New Mexico 87410

RE: Farmout Request
T30N-R11W, Section 19: SE/4
S. W. Aztec Area
San Juan Co., New Mexico

Dear Mr. & Mrs. Gilbreath:

Maralex Resources, Inc. (Maralex) proposes the drilling of a well to be located at a legal location on the lands located in the S/2 of Section 19, T30N-R11W, hereinafter referred to as "Test Well". Said Test Well shall be drilled to a depth of 2,500 feet or to a depth sufficient to test the Basin Fruitland Coal Formation.

Per your recent telephone conversation with Mr. Jim Sullins, Maralex Resources, Inc. hereby requests a farmout from Norman and Loretta Gilbreath, subject to the terms and conditions contained herein:

1. The Farmout Lands shall be defined as the lands in the SE/4 of Section 19, T30N-R11W.

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 you 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, or if Maralex is unable to gain access to the Test Well located on or pooled with the Farmout Lands, you agree to grant an extension for the commencement of or allow Maralex to move the location of the Test Well.

3. Promptly upon execution of the formal Farmout Agreement you agree to execute an Assignment of 100% of your interest in the drillsite spacing unit and you shall retain a proportionate overriding royalty interest equal to the

Gilbreath
Page 1

difference between landowner's royalty plus overriding royalties in existence, and of record as of the date of this Agreement, and twenty-five percent (25.0%). You agree to deliver to Maralex seventy-five percent (75.0%) net revenue interest leases in the 160.00 acre Farmout Lands.

4. Upon spudding of the Test Well, Maralex shall pay you the sum of \$10,000.00 as consideration for farming out the subject properties.

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 base of the Basin Fruitland Coal Formation.

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.

7. You and Maralex agree to enter into a formal Farmout Agreement.

8. This Farmout is subject to approval by Maralex of title and is contingent upon Maralex securing support in the way of farmouts, force-pooling, etc. from 100% of the working interest owners in the spacing unit for the Test Well.

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.

10. This letter shall not survive a formal contract which shall incorporate the terms and conditions contained herein.

Please indicate your acceptance by executing in the space provided below and returning one (1) copy of this letter to the undersigned on or before April 15, 1994. This Agreement shall be null and void after that time.

Feel free to call me at the captioned Denver address, or our agent, Mr. Jim Sullins at (505) 327-3177 if you have any questions relating to this offer.

Sincerely,


Jennifer Ritcher, CPL
Land Manager

_____ AGREED TO AND ACCEPTED this _____ day of April, 1994.

_____ REJECTED this _____ day of April, 1994.

Norman Gilbreath

Loretta Gilbreath

May 18, 1994

Norman and Loretta Gilbreath
P.O. Box 208
Aztec, NM 87410

Re: Southwest Aztec Coalbed Methane Project
San Juan County, NM

Dear Mr. and Mrs. Gilbreath:

I am writing this letter as a final effort to work with you to get a couple of Fruitland coalbed methane wells drilled in Section 19, T30N, R11W and Section 24, T30N, R12W, San Juan County, New Mexico. Mr. Jim Sullins has indicated that you are not interested in any of our previous proposals.

As you know, we have a great deal of time and money invested in the Southwest Aztec Project and we have every intention of recouping that investment through the drilling, completion, production and sale of coalbed methane gas. We are very confident that we will be able to establish commercial production from the coals in this area and have proposed a number of ways that you can benefit from that commercial production. The most recent proposal would have provided similar benefits to those you are currently receiving from another well that we operate (the Tak Well #1, previously called the Shiotani #3) and in which you own an overriding royalty interest. With these facts in mind, I appeal to you to join me in putting our past differences aside and either reconsider our recent proposals or submit what you would consider a workable proposal for our review.

Time is of the essence for us in this project. Therefore, if I have not received a response from you by the 27th of this month, I will have no choice but to initiate force-pooling proceedings on the acreage in the south half of Section 19 and legal action in the northeast quarter of Section 24.

Please feel free to contact me collect at our Ignacio office at (303) 563-4000 or Jennifer Ritcher in Denver at (303) 571-4220.

Sincerely,

A. M. O'Hare, P.E.
President

Post-It™ brand fax transmittal memo 7671		# of pages >
To	Jimmy	
Co.	LETTER - Just	
Dept.		
From	MARALEX	
Co.	WENT TO GILBREATH	
Phone #		

Is your RETURN ADDRESS completed on the reverse side?

PS Form 3811, December 1991 * U.S.G.P.O. : 1992-307-530

DOMESTIC RETURN RECEIPT

5. Signature (Addressee)
Norman and Loretta E. Gilbreath

6. Addressee's Address (Only if requested and fee is paid)
P.O. Box 208
Aztec, NM 87410

3. Article Addressed to:
Norman and Loretta E. Gilbreath
P.O. Box 208
Aztec, NM 87410

4a. Article Number
P159-437-105 19-2

4b. Service Type
☒ Registered
☐ Insured
☐ Certified
☐ COD
☐ Express Mail
☐ Return Receipt for Merchandise

7. Date of Delivery
5-31-94

SENDER:
• Complete items 1 and/or 2 for additional services.
• Complete items 3, and 4a & b.
• Print your name and address on the reverse of this form so that we can return this card to you.
• Attach this form to the front of the mailpiece, or on the back if space does not permit.
• Write "Return Receipt Requested" on the mailpiece below the article number.
• The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):
1. ☐ Addressee's Address
2. ☐ Restricted Delivery
Consult postmaster for fee.

Thank you for using Return Receipt Service.

P 159 437 105
Receipt for Certified Mail
No Insurance Coverage Provided
Do not use for International Mail
Norman and Loretta E. Gilbreath
P.O. Box 208
Aztec, NM 87410

	\$
Certified Fee	
Special Delivery Fee	
Restricted Delivery Fee	
Return Receipt Showing to Whom & Date Delivered	
Return Receipt Showing to Whom, Date, and Addressee's Address	
TOTAL Postage & Fees	\$
Postmark or Date	

PS Form 3800, June 1991



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

May 27, 1994

P.O. Box 338
Ignacio, Colorado 81137
(303) 563-4000

Norman Gilbreath and
Loretta E. Gilbreath
P. O. Box 208
Aztec, New Mexico 87410

Certified Mail-Return Receipt Requested

RE: Well Proposal, Flora Vista 19-2, SW/4 Section 19,
Township 30 North, Range 11 West, San Juan County, New Mexico

Dear Mr. & Mrs. Gilbreath:

Reference is made to my previous correspondence in March and April of this year, your discussions with our agent Jim Sullins concerning our proposals and Mickey O'Hare's letter of May 18, 1994, concerning requests for a farmout and an offer to purchase your interest in the SE/4 of Section 19, T30N-R11W. You have indicated that you are not interested in accepting any of our proposals.

Therefore, Maralex Resources, Inc. (Maralex) resubmits a proposal for the drilling of a well to be located in the SW/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 Basin Fruitland Coal Formation, whichever is lesser. Maralex's estimated costs for a completed well are \$272,530.00, as indicated on the enclosed AFE. A record check indicates that Norman and Loretta E. Gilbreath (Gilbreath) own a 48.60% working interest in the 320.00 acre drillsite spacing unit comprised of the S/2 of Section 19, T30N-R11W. Maralex has previously offered to purchase your interest and has requested a farmout of your interest. Maralex invites Gilbreath to participate in its proposed well.

A copy of the Authority for Expenditure is attached hereto as well as our proposed Operating Agreement covering the drillsite lands. Should you elect to participate, please execute in the space provided below and return one copy of this letter along with the executed AFE and signature page to the Operating Agreement to the captioned Denver address on or before June 17, 1994. We have scheduled this spacing unit for the Compulsory Pooling hearing to be held June 23, 1994 in Santa Fe, New Mexico. If we are unable to come to an

agreement with you, your interest in the well will be force-pooled.

Should you have any questions or desire any additional information, please contact me at the captioned Denver address.

Sincerely,


Jennifer Ritcher, CPL
Land Manager

We elect to participate in the drilling and completion of the captioned well and return my executed AFE and Operating Agreement.

Norman Gilbreath

Loretta E. Gilbreath