

MARALEX RESOURCES, INC.  
518 17th Street, Suite 1030  
Denver, CO 80202

Thank you for using  
Return Receipt Service.

● **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. 2. ☐ Restricted Delivery (Extra charge)

3. Article Addressed to:  
Ms. Mary Lund  
666 Anita Street  
Laguna Beach, CA 92651

4. Article Number  
P 352 550 398

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

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

PS Form 3811, Apr. 1989

DOMESTIC RETURN RECEIPT

Detached from  
PS Form 3849-A,  
Oct. 1989

Return

2ND Notice

Date  
10/11/90  
1ST Notice  
Mary Lund  
666 Anita Street  
Laguna Beach, CA 92651

☐ Hold

Claim Check  
No.

2233008

RETURN RECEIPT  
REQUESTED

MAIL

P 352 550 398

CERTIFIED

Fold at line over top of envelope to the right  
of the return address

Detached from  
PS Form 3849-A,  
Oct. 1989

RETURN

2ND NOTICE

DATE  
5/26/90  
1ST NOTICE  
6/10

☐ HOLD

CLAIM CHECK  
2233008

May 23, 1990

Mary Lund  
666 Anita Street  
Laguna Beach, CA 92651

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

Dear Ms. Lund:

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 surface of the earth to 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 or recomplete the Test Well shall be limited to the loss of opportunity to earn the interest hereinabove described.

## II. Participation

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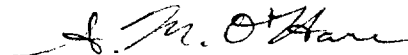
e) Fixed Rate Overhead rates shall be \$2,800 for drilling well rate and \$280 for producing well rate.

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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.

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Agreed to and accepted this \_\_\_\_\_ day of \_\_\_\_\_, 1990.

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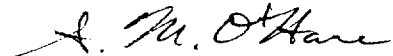
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President  
Maralex Resources, Inc.

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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: \_\_\_\_\_

Mary Lund

MARALEX RESOURCES, INC.

AUTHORITY FOR EXPENDITURE (AFE)

WELL NAME: COAL WELL RECOMPLETION  
 LOCATION: Section 18, T30N, R11W  
 COUNTY: San Juan STATE: NM  
 PURPOSE: Recomplete Existing Wells to Fruitland Coals

INTANGIBLE	WORKOVER	COSTS
Service Unit	6 days @ \$1500/ day	9,000.00
Location	Dirt Work and labor \$1000 Pits (Plastic Lined) 800 Reclamation of reserve pit 1200	3,000.00
Squeeze Cementing	Cement and Services 4600	4,600.00
Logging & Tests	Open-hole Logging 0 Desorption Analysis 0 Cased-hole Logging 2800 BHP Build-up Test 3500 Slug Test & other Tests 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



MARALEX RESOURCES, INC.

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/acces- sories (i.e. Power, Controls, etc.)	4,500.00
Production Unit	Vertical Coal gas separator	12,000.00
Water Storage	400 Barrel Fiberglass tank	4,800.00
Wellhead	Larkin or Hinderlighter head	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  
A. M. O'HARE, P.E.  
PRESIDENT

Partner Approval \_\_\_\_\_  
(Company Name):

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

Title: \_\_\_\_\_

Date: \_\_\_\_\_

MARALEX RESOURCES, INC.

AUTHORITY FOR EXPENDITURE (AFE)

WELL NAME: 2200 FOOT COAL WELL

LOCATION: T30N, R11 & 12W, SAN JUAN COUNTY, NM


INTANGIBLE	DRILLING	COSTS	
Drilling Rig	2200 ft. @ \$13.00/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 & Cmtng	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

MARALEX RESOURCES, INC.

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
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	Downhole pump 2"x1.25"x12' RHBC	2,800.00
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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:



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

May 23, 1990

Mary Lund  
666 Anita Street  
Laguna Beach, CA 92651

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

Dear Ms. Lund:

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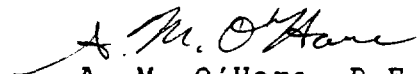
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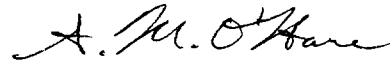
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By: \_\_\_\_\_

Mary Lund

MARALEX RESOURCES, INC.

AUTHORITY FOR EXPENDITURE (AFE)

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 LOCATION: Section 18, T30N, R11W  
 COUNTY: San Juan STATE: NM  
 PURPOSE: Recomplete Existing Wells to Fruitland Coals

INTANGIBLE	WORKOVER	COSTS
Service Unit	6 days @ \$1500/ day	9,000.00
Location	Dirt Work and labor \$1000 Pits (Plastic Lined) 800 Reclamation of reserve pit 1200	3,000.00
Squeeze Cementing	Cement and Services 4600	4,600.00
Logging & Tests	Open-hole Logging 0 Desorption Analysis 0 Cased-hole Logging 2800 BHP Build-up Test 3500 Slug Test & other Tests 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

MARALEX RESOURCES, INC.

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

Partner Approval  
(Company Name):

By:

Title:

Date:

MARALEX RESOURCES, INC.

AUTHORITY FOR EXPENDITURE (AFE)

WELL NAME: 2200 FOOT COAL WELL

LOCATION: T30N, R11 & 12W, SAN JUAN COUNTY, NM

INTANGIBLE	DRILLING	COSTS	
Drilling Rig	2200 ft. @ \$13.00/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 & Cmtng	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

MARALEX RESOURCES, INC.

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: \_\_\_\_\_

MARALEX RESOURCES, INC.  
518 17th Street  
Suite 1030  
Denver, CO 80202

Thank you for using  
Return Receipt Service.

Fold at line over top of envelope to the right  
of the return address

**CERTIFIED**

P 352 550 402

**MAIL**

**RETURN RECEIPT  
REQUESTED**

Estate of Luke House  
1639 E. 47th Street  
Los Angeles, CA 90011

Attempted Not Found  
Street Number  
Route Number  
Carrier Initialed  
FEB 10 1989

7/10/89

**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:

Estate of Luke House  
1639 E. 47th Street  
Los Angeles, CA 90011

4. Article Number

P 352 550 402

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

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

PS Form 3811, Apr. 1989

**DOMESTIC RETURN RECEIPT**

May 23, 1990

Estate of Luke House  
1639 E. 47th Street  
Los Angeles, CA 90011

Re: Well Proposal  
T 30N-R 11W  
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 is 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 surface of the earth to 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 or recomplete the Test Well shall be limited to the loss of opportunity to earn the interest hereinabove described.

## II. Participation

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.

d) Article VI.B.2b) shall provide for 300%/300% non-consent penalties.

e) Fixed Rate Overhead rates shall be \$2,800 for drilling well rate and \$280 for producing well rate.

### III. Sale of Interest

If 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: \_\_\_\_\_

Estate of Luke House

May 23, 1990

Estate of Luke House  
1639 E. 47th Street  
Los Angeles, CA 90011

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

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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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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 or recomplete the Test Well shall be limited to the loss of opportunity to earn the interest hereinabove described.

## II. Participation

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- b) Maralex shall be designated Operator.
- c) Article VI.B.2a) shall provide for 100%/100% non-consent

penalties.

d) Article VI.B.2b) shall provide for 300%/300% non-consent penalties.

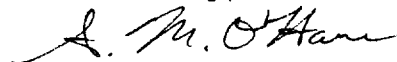
e) Fixed Rate Overhead rates shall be \$2,800 for drilling well rate and \$280 for producing well rate.

### III. Sale of Interest

If 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: \_\_\_\_\_

Estate of Luke House

MARALEX RESOURCES, INC.

AUTHORITY FOR EXPENDITURE (AFE)

WELL NAME: COAL WELL RECOMPLETION  
 LOCATION: Section 18, T30N, R11W  
 COUNTY: San Juan STATE: NM  
 PURPOSE: Recomplete Existing Wells to Fruitland Coals

INTANGIBLE	WORKOVER	COSTS
Service Unit	6 days @ \$1500/ day	9,000.00
Location	Dirt Work and labor \$1000 Pits (Plastic Lined) 800 Reclamation of reserve pit 1200	3,000.00
Squeeze Cementing	Cement and Services 4600	4,600.00
Logging & Tests	Open-hole Logging 0 Desorption Analysis 0 Cased-hole Logging 2800 BHP Build-up Test 3500 Slug Test & other Tests 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

MARALEX RESOURCES, INC.

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/acces- sories (i.e. Power, Controls, etc.)	4,500.00
Production Unit	Vertical Coal gas separator	12,000.00
Water Storage	400 Barrel Fiberglass tank	4,800.00
Wellhead	Larkin or Hinderlighter head	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  
A. M. O'HARE, P.E.  
PRESIDENT

Partner Approval \_\_\_\_\_  
(Company Name):

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

Title: \_\_\_\_\_

Date: \_\_\_\_\_

MARALEX RESOURCES, INC.

AUTHORITY FOR EXPENDITURE (AFE)

WELL NAME: 2200 FOOT COAL WELL

LOCATION: T30N, R11 & 12W, SAN JUAN COUNTY, NM

INTANGIBLE	DRILLING	COSTS	
Drilling Rig	2200 ft. @ \$13.00/ft		\$28,600.00
	1 day of daywork @ \$4400/day		4,400.00
Completion Rig	5 days @ \$1500/ day		7,500.00
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	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 & Cmtng	Casing Crew	Surface	----
		Production	1200
	Cementing	Surface	2500
		Production	6800
			10,500.00
Logging & Tests	Open-hole Logging	5500	
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	BHP Build-up Test	3500	
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Overhead	Land, Legal, Insurance, etc.	1800	1,800.00
Miscellaneous	Contingency (10%)		15,500.00
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MARALEX RESOURCES, INC.

AUTHORITY FOR EXPENDITURE

TANGIBLE	DRILLING	COSTS
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	2100' of 2-3/8, 4.7#, J55 tbg	5,050.00
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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  
A. M. O'HARE, P.E.  
PRESIDENT

Partner Approval \_\_\_\_\_  
(Company Name):  
  
By: \_\_\_\_\_  
  
Title: \_\_\_\_\_  
  
Date: \_\_\_\_\_



May 23, 1990

Estate of Luke House  
1639 E. 47th Street  
Los Angeles, CA 90011Re: Well Proposal  
T 30N-R 11W  
Section 18:N/2  
San Juan County,  
New Mexico  
Brimhall 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 NE/4 of Section 18, T30N-R11W, San Juan County, New Mexico. The recompletion is 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.

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 surface of the earth to 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 or recomplete the Test Well shall be limited to the loss of opportunity to earn the interest hereinabove described.

## II. Participation

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:

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- b) Maralex shall be designated Operator.
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penalties.

d) Article VI.B.2b) shall provide for 300%/300% non-consent penalties.

e) Fixed Rate Overhead rates shall be \$2,800 for drilling well rate and \$280 for producing well rate.

### III. Sale of Interest

If 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  
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\_\_\_\_\_ 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.

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Agreed to and accepted this \_\_\_\_\_ day of \_\_\_\_\_, 1990.

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

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Los Angeles, CA 90011

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Brimhall 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 NE/4 of Section 18, T30N-R11W, San Juan County, New Mexico. The recompletion is 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.

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 surface of the earth to 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 or recomplete the Test Well shall be limited to the loss of opportunity to earn the interest hereinabove described.

## II. Participation

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.

d) Article VI.B.2b) shall provide for 300%/300% non-consent penalties.

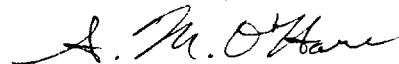
e) Fixed Rate Overhead rates shall be \$2,800 for drilling well rate and \$280 for producing well rate.

### III. Sale of Interest

If 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: \_\_\_\_\_

Estate of Luke House

MARALEX RESOURCES, INC.

AUTHORITY FOR EXPENDITURE (AFE)

WELL NAME: COAL WELL RECOMPLETION  
 LOCATION: Section 18, T30N, R11W  
 COUNTY: San Juan STATE: NM  
 PURPOSE: Recomplete Existing Wells to Fruitland Coals

INTANGIBLE	WORKOVER	COSTS
Service Unit	6 days @ \$1500/ day	9,000.00
Location	Dirt Work and labor \$1000 Pits (Plastic Lined) 800 Reclamation of reserve pit 1200	3,000.00
Squeeze Cementing	Cement and Services 4600	4,600.00
Logging & Tests	Open-hole Logging 0 Desorption Analysis 0 Cased-hole Logging 2800 BHP Build-up Test 3500 Slug Test & other Tests 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

MARALEX RESOURCES, INC.

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

Partner Approval  
(Company Name):

By:

Title:

Date:



MARALEX RESOURCES, INC.

AUTHORITY FOR EXPENDITURE (AFE)

WELL NAME: 2200 FOOT COAL WELL

LOCATION: T30N, R11 & 12W, SAN JUAN COUNTY, NM

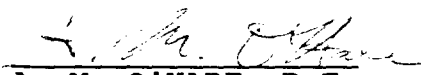
INTANGIBLE	DRILLING	COSTS	
Drilling Rig	2200 ft. @ \$13.00/ft		\$28,600.00
	1 day of daywork @ \$4400/day		4,400.00
Completion Rig	5 days @ \$1500/ day		7,500.00
Location	Dirt Work and labor	\$2500	
	Pits (Plastic Lined)	1800	
	Reclamation of reserve pit 2200		6,500.00
Staking & Permit	\$700 per well		700.00
Damages & ROW	\$2500 per well		2,500.00
Casing & Cmtng	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

MARALEX RESOURCES, INC.

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: