

BEFORE THE OIL & GAS CONSERVATION COMMISSION
OF THE STATE OF COLORADO

IN THE MATTER OF THE APPLICATION OF)	
MARALEX RESOURCES, INC. AND GOSNEY &)	
SONS, INC. FOR AN ORDER ALLOWING)	
OPTIONAL THIRD AND FOURTH WELLS IN)	CAUSE NO. 112
ESTABLISHED DRILLING AND SPACING)	
UNITS COVERING THE FRUITLAND COAL)	Docket No. _____
SEAM FORMATION, IGNACIO-BLANCO)	
FIELD, LA PLATA COUNTY, COLORADO)	

APPLICATION

Maralex Resources, Inc. and Gosney & Sons, Inc. (referred to herein as “Applicants”), by and through their undersigned attorneys, hereby files this application to the Oil and Gas Conservation Commission of the State of Colorado, for an order to permit an optional third and fourth well in established drilling and spacing units for the Fruitland Coal Seam formation. In support thereof, the Applicants state and allege as follows:

1. That the Applicants are the owners of leasehold interests in La Plata County, Colorado, located within the area requested for spacing.
2. That the Applicants are requesting that two (2) optional wells be permitted in the existing drilling and spacing units of 320 acres for the Fruitland Coal Seam formation covering the lands in La Plata County, Colorado, as described on Exhibit A attached hereto and incorporated by reference.
3. That insofar as this Application concerns lands within the jurisdiction of the Southern Ute Indian Tribe, it is submitted to this Commission in accordance with the terms of the Memorandum of Understanding dated August 22, 1991 between the Bureau of Land Management (“BLM”) and this Commission and separate Memorandum of Understanding dated August 22, 1991 between the Bureau of Indian Affairs, the BLM and the Southern Ute Indian Tribe. In certain of the lands described on Exhibit A, the Southern Ute Indian Tribe owns surface interests and mineral interests underlying such lands.
4. In support of the requested order, Applicants assert that two wells will not efficiently and economically drain each of the 320-acre drilling and spacing units contained in Exhibit A, and that additional wells are necessary to prevent waste, protect correlative rights and to recover gas and associated hydrocarbons from the Fruitland coal formation all in accordance with the Colorado statutes, the rules and regulations of this Commission and, with respect to Tribal lands, applicable rules and regulations of the BLM.
5. On June 15, 1988, the Commission issued Order No. 112-60 which established 320-acre drilling and spacing units for production of gas from the Fruitland Coal Seam formations. Said units shall remain as previously established. Moreover, on May 15, 2000 the Commission issued Order No. 112-157 which permitted a second Fruitland Coal Seam Formation well in each 320-acre drilling and spacing unit with such additional wells being located no closer than 990 feet to any outer boundary of the unit, nor closer than 130 feet to any interior quarter section line. Applicant proposes that an optional third and fourth well in each 320-acre unit be drilled, completed or recompleted in the operator's discretion no closer than 660 feet to any outer boundary of the unit with no setback required to any interior quarter section line.
6. That the surface location of each of the optional wells shall be located on a common or expanded pad with the existing well such that a total of four Fruitland coal well pads shall be authorized in each governmental section.
7. That the Director may after notice and hearing approve exceptions to permitted well locations due to topography or surface hazards or the recompletion of wells previously drilled at

permitted locations, provided that appropriate notice of such exception location is afforded to offset owners as required by Commission rules.

8. Applicants further state that the requested additional wells can be developed in a manner consistent with protection of public health, safety and welfare. To this end, while not required by the Commission's Rules, Applicants shall propose to incorporate a portion of a proposed Memorandum of Understanding with La Plata County into the Commission's Order as a Health, Safety and Welfare Plan ("HS&W Plan") which shall apply to operations on lands not within the jurisdiction of the Southern Ute Indian Tribe. The Applicants request a finding by the Commission that the HS&W Plan adequately addresses concerns related to the environment and public health, safety and welfare not otherwise addressed by Commission Rule on such non-tribal lands. Moreover, Applicants will commit to the Southern Ute Indian Tribe that new compressor installations shall use the best available emission control technology and shall also provide a plan to the Tribe to evaluate the modification of older compression installation emission technology in the Application area over the next five (5) years.

9. Exhibit B attached hereto and made part hereof is the list of the names of "Owners" required to be notified in accord with Commission Rule 507(b), including within the areas covered by this Application. To the best of Applicants' knowledge and belief, Exhibit B contains the names of all such owners.

WHEREFORE, Applicants respectfully request that this matter be set for hearing, that notice thereof be given as required by law and that upon such hearing this Commission enter its order:

A. Establishing that up to four (4) Fruitland Coal wells may be completed in each 320-acre drilling and spacing unit for gas and associated hydrocarbons from the Fruitland Coal Seam formation underlying the lands set forth on Exhibit A with the third and fourth wells being optional wells in the discretion of the operator located as provided in paragraph 5 and 6 subject to the Director approving exceptions for the permitted well locations as provided in paragraph 7 above.

B. That Applicants' HS&W Plan shall be incorporated as part of the Commission Order concerning non-tribal operations on lands outside of the jurisdiction of the Southern Ute Indian Tribe.

C. For such other findings and orders as the Commission may deem proper or advisable in the premises.

DATED this 31st day of July, 2006.

Respectfully submitted,

MARALEX RESOURCES, INC. AND
GOSNEY & SONS, INC.

By: _____
Michael J. Wozniak
BEATTY & WOZNIAK, P.C.
Attorneys for Applicant
216 16th Street, Suite 1100
Denver, Colorado 80202
(303) 407-4499

Applicants' Addresses:

P.O. Box 338
Ignacio, CO 81137

P.O. Box 367
Bayfield, CO 81122

VERIFICATION

[illegible]

_____, of lawful age, being first duly sworn upon oath, deposes and says that he is the _____ for Maralex Resources, Inc. and that he has read the foregoing Application and that the matters therein contained are true to the best of my knowledge, information and belief.

Subscribed and sworn to before this ____ day of July, 2006.

Witness my hand and official seal.
My commission expires:

Notary Public

[illegible]

_____, of lawful age, being first duly sworn upon oath, deposes and says that he is the _____ for Gosney & Sons, Inc. and that he has read the foregoing Application and that the matters therein contained are true to the best of my knowledge, information and belief.

Subscribed and sworn to before this ____ day of July, 2006.

Witness my hand and official seal.
My commission expires:

Notary Public

EXHIBIT A

Legal Description
80-acre Infill Application Area

Township 33 North, Range 7 West, N.M.P.M

Section 2: N/2, S/2

Section 3: N/2, S/2

Section 9: E/2

Section 11: E/2, W/2

Section 12: N/2

EXHIBIT B

Interested Parties

Donald E. & Gloria J. Dayhuff
2148 Pinon Dr.
Erie, CO 80516

Estate of John T. McDaniel
15083 S. Elk Creek Rd.
Pine, CO 80470

JDH Resources, LLC
2800 S. University Blvd. #7
Denver, CO 80210

Devon Energy Production Company, LP
20 N. Broadway
Oklahoma City, OK 73102

Red Willow Production Company
PO Box 369
Ignacio, CO 81137

BP America Production Company
380 Airport Road
Durango, CO 81303

SG Interests I, LTD
909 Fannin, Suite 2600
Houston, TX 77010

Southern Ute Indian Tribe
Attn Ed Trahan
PO Box 369
Ignacio, CO 81137

Samson Resources Company
370 17th Street, #3000
Denver, CO 80202

James L. Williams
7700 La Condesa
Albuquerque, NM 87110

Blagg Engineering
PO Box 87
Bloomfield, NM 87413

Maralex Resources, Inc.
PO Box 338
Ignacio, CO 81137

Dennis R. & Teresa M. Reimers
1594 Cactus Dr.
Bayfield, CO 81122

Eureka Resources, LLC
PO Drawer 25045
Albuquerque, NM 87125

Redelity LP
c/o Red Willow Prod. Co.
PO Box 369
Ignacio, CO 81137

Wild West Joint Venture
c/o Bank of Choice
7251 West 20th St., Bldg. A
Greeley, CO 80634

Malcolm E. A. McCoy
4901 10th St.
Boulder, CO 80304

Donald G. Parsons
c/o Bright Trading Co.
3029 Palmer Pointe Ct.
Reno, NV 89511

Bayless Ranches LLC
Lock Box PO 461002
Denver, CO 80246

Adelante Oil & Gas, LLC
PO Box 2471
Durango, CO 81302

Gosney & Sons, Inc.
Attn: Matt Barnett
6699 County Rd. 521
Bayfield, CO 81122

Riva Oil & Gas, LLC
1645 Court Place, Suite 406
Denver, CO 80202

Felix Herrera, Jr.
Address unknown

Felician Herrera
Address unknown

San Jun Basin Properties, LLC
1499 Blake St, #7K
Denver, CO 80202

C. Ray and Brenda Sima
904 Leyden
Durango, CO 81301

Tim G. Kelley
965-1/2 Main Ave.
Durango, CO 81301

Petrogulf Corporation
518 17th St., Suite 1455
Denver, CO 80202

Julie A. Eisenmann
825 County Rd. 336
Ignacio, CO 81137

David T. Thomson
733 County Rd. 336
Ignacio, CO 81137

Sierra Foundation Management, LLC
63 North Pagosa Blvd., #B-3
Pagosa Springs, CO 81147

Merrion Oil & Gas Corp
Attn: George Sharpe
610 Reilly Ave.
Farmington, NM 87401

Citadel Oil & Gas Corp.
PO Box 3052
Denver, CO 80201

Peace Living Trust, Jeff & Martha Peace
821 Gunnison Ave.
Grants, NM 87020

Sarah Belle Cooper,
c/o Robert M. Symmonds
425 Commercial St.
Emporia, KS 66801

Roderick Earl Barker
PO Box E
Durango, CO 81302

Jean B. Wheeldon
6792 S. Maxwalton Rd.
Clinton, WA 98236

James B. Jarvis
PO Box 2964
Durango, CO 81302

Williams Production Co., LLC
Attn: Barbara Burnett
Box 3102, MD #25-3
Tulsa, OK 74101