

UNITED STATES 2005 JUL 15 PM 1 11
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT RECEIVED

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0136
Expires January 31, 2004

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER			5. Lease Serial No. NMNM100304
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other <input checked="" type="checkbox"/> Single Zone <input type="checkbox"/> Multiple Zone			6. If Indian, Allottee or Tribe Name
2. Name of Operator Maralex Resources, Inc. 13998			7. If Unit or CA Agreement, Name and No.
3a. Address P.O. Box 338, Ignacio, CO 81137			8. Lease Name and Well No. 35432 Trading Post 31 # 1
3b. Phone No. (include area code) 970/563-4000			9. API Well No. 30-045-33233
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 660' FNL; 1980' FEL (NWNE) At proposed prod. zone			10. Field and Pool, or Exploratory Basin Fruitland Coal 71629
11. Sec., T. R. M. or Blk. and Survey or Area B Section 31-T25N-R10 W			
14. Distance in miles and direction from nearest town or post office* Approximately 24 miles south of Bloomfield, NM			12. County or Parish San Juan
13. State NM			
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 660'	16. No. of acres in lease 320	17. Spacing Unit dedicated to this well 320 acres (N/2) 319.28 AC	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 2490'	19. Proposed Depth 1660'	20. BLM/BIA Bond No. on file 8188110	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6720' GL	22. Approximate date work will start* August 3, 2005	23. Estimated duration 6 days	

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No. 1, shall be attached to this form:

- | | |
|---|--|
| 1. Well plat certified by a registered surveyor. | 4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above). |
| 2. A Drilling Plan. | 5. Operator certification |
| 3. A Surface Use Plan (if the location is on National Forest System Lands, the SUPO shall be filed with the appropriate Forest Service Office). | 6. Such other site specific information and/or plans as may be required by the authorized officer. |

25. Signature <i>Jeremy Golob</i>	Name (Printed/Typed) Jeremy Golob	Date 7/14/05
Title Senior Petroleum Engineer		
Approved by (Signature) <i>Jerome Golob</i>	Name (Printed/Typed)	Date 2/9/06
Title Fielding ADM		

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.
Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

*(Instructions on page 2)



NHCCD

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised June 10, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-045-33233		Pool Code 71629	Pool Name Basin Fruitland Coal
Property Code 35432	Property Name TRADING POST 31		Well Number 1
OGRID No. 013998	Operator Name MARALEX RESOURCES, INC		Elevation 6720

10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
B	31	25N	10W		660	North	1980	East	San Juan

11 Bottom Hole Location If Different From Surface

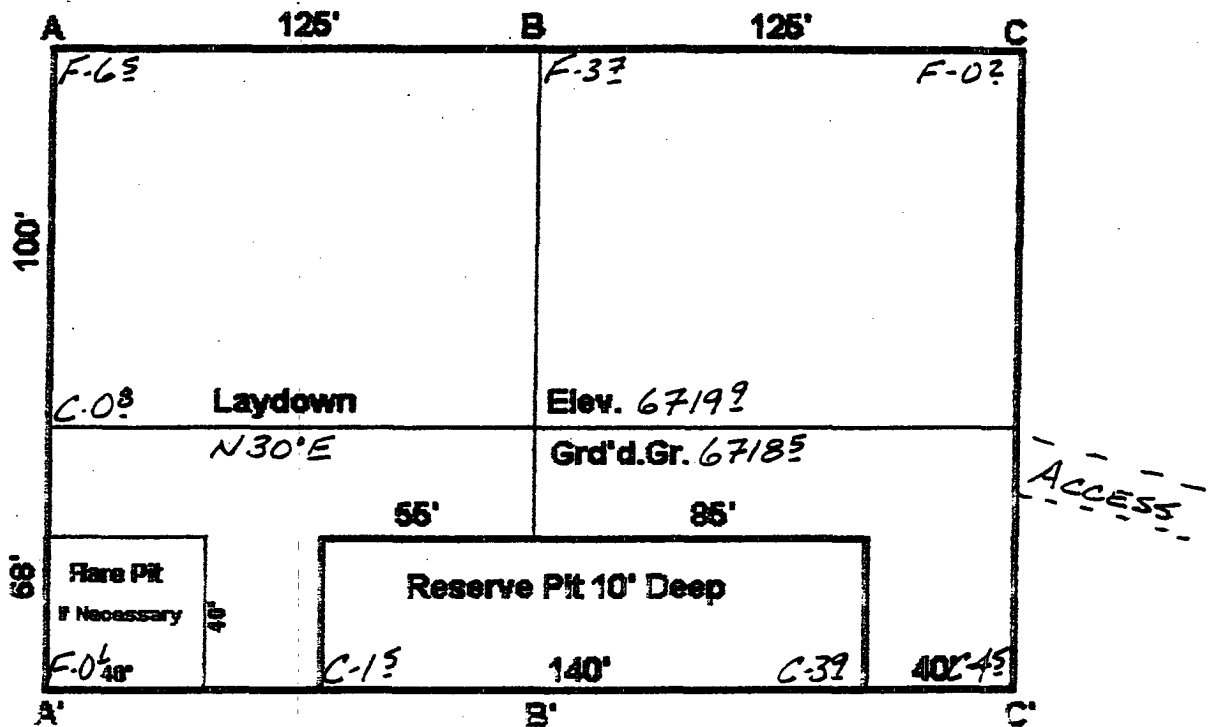
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres 319.28	Joint or Infill	Consolidation Code	Order No.
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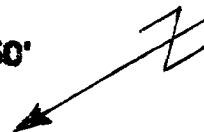
NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>16</p> <p>(19.795) S89°55'E (20.035)</p> <p>Lot No. (TRP)</p> <p>79.60 ch</p> <p>2</p> <p>3</p> <p>4</p> <p>(19.98) N89°56'E (19.97)</p> <p>79.90 ch.</p>	<p>660'</p> <p>Lot. 36.36317°N</p> <p>Long. 107.93514°W</p> <p>1980'</p>	<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature <i>Carla S. Shaw</i></p> <p>Printed Name Carla S. Shaw</p> <p>Production Technician production@maralexresources.com</p> <p>Title and E-mail Address</p> <p>07/05/05</p> <p>Date</p>
	<p>SEC.</p> <p>31</p>	<p>18 SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.</p> <p>Date of Survey 24 JUL 2005</p> <p>Signature and Seal of Professional Surveyor <i>Willie E. Mathke II</i></p> <p>Willie E. Mathke II</p> <p>Certificate Number 8466</p>
	<p>79.60 ch</p> <p>79.60 ch</p> <p>79.60 ch</p>	<p>79.60 ch</p> <p>79.60 ch</p> <p>79.60 ch</p>
	<p>N 0° 01' E</p> <p>N 0° 03' E</p>	<p>N 0° 03' E</p>

MARALEX RESOURCES, INC.
 TRADING POST 31 #1
 660'FNL & 1980'FEL
 Sec.31, T25N, R10W, NMPM
 San Juan Co., NM



SCALE : 1"=50'



A-A'	Vert: 1"=30'	Horiz: 1"=50'	C/L
6720			
6710			

B-B'	Vert: 1"=30'	Horiz: 1"=50'	C/L
6720			
6710			

C-C'	Vert: 1"=30'	Horiz: 1"=50'	C/L
6720			
6710			

TRADING POST 31 # 1
660' FNL; 1980' FEL
SECTION 31-T25N-R10W
SAN JUAN COUNTY, NM

Drilling Program

1. Formation Tops

The estimated tops of important geologic markers are:

<u>Formation Name</u>	<u>Top</u>
Basal Fruitland Coal	1489'
Pictured Cliffs	1509'
Total Depth (TD)	1660'

* All elevations reflect the ungraded ground level of 6720'.

2. Notable Zones

Oil and Gas Zones

Fruitland Coal	1399'
Pictured Cliffs	1509'

The primary objective is the Basin Fruitland Coal formation. Completion may require fracturing. The entire wellbore will be cased. Water zones will be protected with casing, cement and weighted mud. Oil and gas shows will be tested for commercial potential based on the well site geologist's recommendations.

3. Pressure Control

BOP systems will follow Onshore Order No. 2. The drilling contract has not been awarded yet, thus the exact BOP model to be used is not yet known. A typical model is shown on the attached page.

Once out from under the surface casing, a minimum of 2,000 psi BOP and choke manifold system will be used. BOP controls will

be installed before drilling the surface casing plug and used until the well is completed or abandoned.

Pressure tests to 1,000 psi will be conducted with a rig pump. All BOP mechanical and pressure tests will be recorded on the driller's log. BOPs will be inspected and operated at least daily to assure good mechanical working order. The inspection will be recorded on the daily drilling report.

4. Casing and Cement

Hole Size	OD	Weight(lb/ft)	Grade	Depth
12-1/4"	8-5/8"	24	J-55	160'
7-7/8"	5-1/2"	15.5	J-55	1660'

Surface casing will be cemented to surface.
Production casing will be cemented to surface in one stage.
The entire wellbore will be cased. Water zones will be protected with casing, cement and weighted mud. (Cement program is attached).

5. Mud Program

The proposed mud program is:

Depth	Type	ppg	vis(cp)	FL(cc)
0 -1450'	Fresh Wtr	8.4	Polymer Sweeps	-
1450' - TD	LSND	8.4-9.1	30-60	< 10

6. Coring, Testing and Logging

No cores are planned. The following logs are likely to be run:

Dual Induction, Lateral Log, Formation Density, Compensated Neutron, High Resolution Density, Caliper

7. Downhole Conditions


Neither abnormal temperatures nor hydrogen sulfide are anticipated. Maximum pressure will be approximately 300 psi.

8. Other Information

It is expected that this well will be drilled, after spudding, in five to six days. The well will be completed soon after drilling has concluded and should take approximately one week of activity.

CERTIFICATION

I hereby certify that I, or persons under my direct supervision, have inspected the proposed drill site and access route; that I am familiar with the conditions that currently exists; that the statements made in this place are, to the best of my knowledge, true and correct; and that the work associated with operations proposed herein will be performed by Maralex Resources, Inc., and its contract and subcontracts in conformity with this plan and the terms and conditions under which it is approved. This statement is subject to the provisions of 18 U.S.C. 1001 for the filing of a false statement.



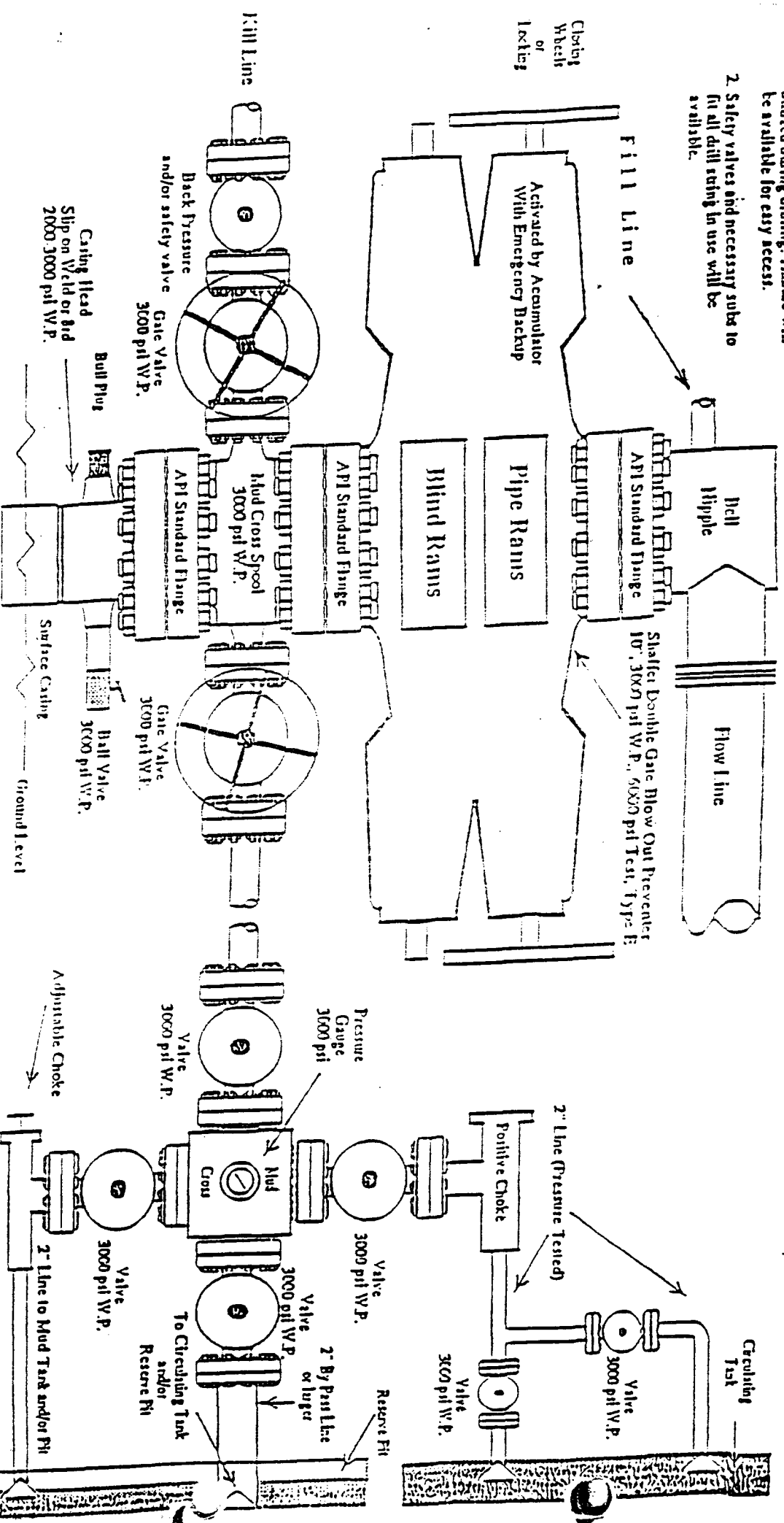
Jeremy Golob
Sr. Petroleum Engineer

07/14/05
Date

Pressure Control Equipment

Note: 1. An upper Kelly cock valve will be utilized during drilling. Handle will be available for easy access.

2. Safety valves and necessary sub to fit all drill string in use will be available.



Note: This equipment is designed to meet requirements for a 2-1/4 rating standard per 43 CFR part 3160 (amended). Proper operation and testing of equipment will be carried out per standard. 2,000 psi equipment can be substituted in the drawing to meet minimum requirements per standard.

MARALEX RESOURCES, INC.
TRADING POST 31 # 1
CEMENTING PROGRAM

SURFACE CASING

Surface casing will be set at 160 feet. It will be cemented with 115 sacks of Standard cement containing 2% CaCl₂ and 1/4lb per sack flocele. This cement has a yield of approximately 1.26 cubic feet per sack and the final slurry will weigh about 15.6 ppg. The calculated volumes equate to a 25 percent excess of the annular volume. A total of 3 centralizers will be used on the surface casing. *Circulate cement to surface.*

PRODUCTION CASING

The production casing will be run to TD and cemented back to surface with 150 sacks of Class B cement with 6% gel, 5# gilsonite, and 1/4lb per sack flocele. This cement will be followed by 70 sacks of Class B cement with 0.4% Halad 344, 5# gilsonite and 1/4lb per sack flocele. The lead cement has a yield of approximately 1.88 cubic feet per sack and has a slurry weight of 12.4 ppg. The tail slurry has a yield of about 1.26 cubic feet per sack and a slurry weight of 15.2 ppg. The calculated volumes will amount to about a 25 percent excess of the annular volume. A total of 18 centralizers will be used on the production casing.