

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

FORM APPROVED
OMB No. 1004-0137
Expires March 31, 2007

5. Lease Serial No. NMSF-079964
6. If Indian, Allottee or Tribe Name N/A
7. If Unit or CA Agreement, Name and No. N/A
8. Lease Name and Well No. TRADING POST 35 #2
9. API Well No. 30-045-33875
10. Field and Pool, or Exploratory BASIN FRUITLAND COAL GAS
11. Sec., T. R. M. or Blk. and Survey or Area C 35-25N-11W NMPM
12. County or Parish SAN JUAN
13. State NM

1a. Type of work: ☒ DRILL ☐ REENTER
1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☒ Single Zone ☐ Multiple Zone

2. Name of Operator
MARALEX RESOURCES, INC.

3a. Address **P. O. BOX 338
IGNACIO, CO 81337**

3b. Phone No. (include area code)
(970) 563-4000

4. Location of Well (Report location clearly and in accordance with any State requirements.)*
At surface **960' FNL & 2060' FWL**
At proposed prod. zone **SAME**

14. Distance in miles and direction from nearest town or post office*
25 AIR MILES SSW OF BLOOMFIELD, NM

15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drig. unit line, if any) **360' (960' to CA line)**

16. No. of acres in lease
400

17. Spacing Unit dedicated to this well
N2 320

18. Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft. **3,432' (26 #2A)**

19. Proposed Depth
1,700'

20. BLM/BIA Bond No. on file
BLM STATE WIDE NM2726 B188110

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
6,755' GL

22. Approximate date work will start*
08/15/2006

23. Estimated duration
2 WEEKS

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 	Name (Printed/Typed) BRIAN WOOD	Date 07/26/2006
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Title CONSULTANT	PHONE: (505) 466-8120	FAX: (505) 466-9682
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Approved by (Signature) 	Name (Printed/Typed)	Date 8/13/06
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Title Acting AML Minerals	Office
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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)

DRILLING OPERATIONS AUTHORIZED ARE
SUBJECT TO COMPLIANCE WITH ATTACHED
"GENERAL REQUIREMENTS".

NMOCD

This action is subject to technical and
procedural review pursuant to 43 CFR 3165.3
and appeal pursuant to 43 CFR 3165.4

N 89°56'E 79.90 ch.
NOTE: BEARINGS AND DISTANCES FROM GLO PLAT.

Submit 3 Copies To Appropriate District Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., 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 and Natural Resources

Form C-103
May 27, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO.
30-045- 33875

5. Indicate Type of Lease
STATE ☐ FEE ☐

6. State Oil & Gas Lease No.
NMSF-0 079964

7. Lease Name or Unit Agreement Name

TRADING POST 35

8. Well Number #2

9. OGRID Number 013998

10. Pool name or Wildcat
BASIN FRUITLAND COAL GAS

SUNDRY NOTICES AND REPORTS ON WELLS

(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well ☐ Gas Well ☒ Other

2. Name of Operator
MARALEX RESOURCES, INC.

3. Address of Operator
P. O. BOX 338, IGNACIO, CO 81337

4. Well Location

Unit Letter: C

960' FNL & 2060' FWL

Section 35

Township 25 N

Range 11 W

NMPM

SAN JUAN

County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
6,755' GL

Pit or Below-grade Tank Application ☒ or Closure ☐

Pit type: DRILLING Depth to Groundwater: >100' Distance from nearest fresh water well: >5,000' Distance from nearest surface water: >100'

Pit Liner Thickness: 12 mil Below-Grade Tank: Volume bbls; Construction Material

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐

TEMPORARILY ABANDON ☐ CHANGE PLANS ☐

PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

OTHER: DRILLING PIT ☒

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐

COMMENCE DRILLING OPNS. ☐ P AND A ☐

CASING/CEMENT JOB ☐

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Brian Wood TITLE: CONSULTANT

DATE: JULY 26, 2006

Type or print name: BRIAN WOOD

E-mail address: brian@permitswest.com

Telephone No.: (505) 466-8120

For State Use Only

APPROVED BY: [Signature] TITLE: SENIOR OIL & GAS INSPECTOR, DIST. 1

DATE: AUG 17 2006

Conditions of Approval (if any):

Maralex Resources, Inc.
Trading Post 35 #2
960' FNL & 2060' FWL
Sec. 35, T. 25 N., R. 11 W.
San Juan County, New Mexico

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Drilling Program

1. ESTIMATED FORMATION TOPS

<u>Formation</u>	<u>GL Depth</u>	<u>KB Depth</u>	<u>Elevation</u>
Nacimiento	0'	5'	+6,755'
Fruitland Coal	1,455'	1,460'	+5,300'
Pictured Cliffs	1,505'	1,510'	+5,250'
Lewis Shale	1,655'	1,660'	+5,100'
Total Depth (TD)	1,700'	1,705'	+5,055'

2. NOTABLE ZONES

<u>Oil & Gas Zones</u>	<u>Water Zone</u>	<u>Coal Zone</u>
Fruitland	Nacimiento	Fruitland
Pictured Cliffs		

Water zones will be protected with casing, cement, and fresh water weighted mud. Fresh water encountered during drilling will be recorded by depth, cased, and cemented. Oil and gas shows will be tested for commercial potential based on the well site geologist's recommendations.

3. PRESSURE CONTROL

The drilling contract has not yet been awarded, thus the exact BOP model to be used is not yet known. (A typical 2,000 psi model is on PAGE 3.)

Once out from under the surface casing, a minimum 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.

Maralex Resources, Inc.
Trading Post 35 #2
960' FNL & 2060' FWL
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San Juan County, New Mexico

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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. BOP 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 & CEMENT

<u>Hole Size</u>	<u>O. D.</u>	<u>Weight</u>	<u>Grade</u>	<u>Type</u>	<u>Age</u>	<u>Depth Set</u>
12-1/4"	8-5/8"	24#	J-55	S T & C	New	160'
7-7/8"	5-1/2"	15.5#	J-55	L T & C	New	1,700'

Surface casing will be cemented to the surface with ≈ 135 cubic feet (≈ 115 sacks) standard cement with 1/4 pound per sack cellophane + 2% CaCl_2 . Yield = 1.18 cubic feet per sack. Weight = 15.6 pounds per gallon. Volume = 25% annular excess. Three centralizers will be installed.

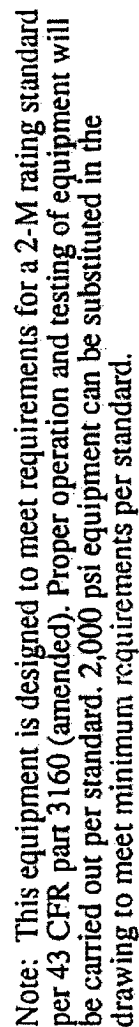
Production casing will be cemented to the surface with $\approx 25\%$ annular excess. Cement with ≈ 150 sacks Class B with 6% gel + 5 pounds per sack gilsonite + 1/4 pound per sack cellophane + 2% CaCl_2 . Follow with ≈ 80 sacks Class B with 0.4% Halad 344 + 5 pounds per sack gilsonite + 1/4 pound per sack cellophane + ≈ 35 sacks scavenger slurry. Lead cement will have a yield of 1.88 cubic feet per sack and weight of 12.4 pounds per gallon. Tail slurry will have a yield of 1.26 cubic feet per sack and weight of 15.2 pounds per gallon. Approximately 18 centralizers will be used.

5. MUD PROGRAM

<u>Range</u>	<u>Type</u>	<u>Pounds per Gallon</u>	<u>Viscosity</u>	<u>Fluid Loss</u>
0' - 1,200'	Fresh Water	8.4	Polymer Sweeps	-
1,200' - TD	LSND	8.4 - 9.1	30 - 60	<10 cc

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

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



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6. CORES, TESTS, & LOGS

No cores or drill stem tests are planned. Dual induction, lateral, formation density, compensated neutron, high resolution density, and caliper logs are likely to be run.

7. DOWN HOLE CONDITIONS

No abnormal pressures, temperatures, nor hydrogen sulfide are expected. Maximum expected bottom hole pressure will be ≤ 360 psi.

8. OTHER INFORMATION

The anticipated spud date is upon approval. It is expected it will take ≈ 2 weeks to drill and complete the well.