

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.
NMNM-068409
6. If Indian, Allottee or Tribe Name
NA

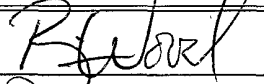

7. If Unit or CA Agreement, Name and No.
NA
RECEIVED
070 FARMINGTON NM

| | | | |
|--|--|--|--|
| 1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER | | 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 | |
| 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 2214' FNL & 1713' FEL At proposed prod. zone SAME | | 10. Field and Pool, or Exploratory BASIN FRUITLAND COAL GAS | |
| 14. Distance in miles and direction from nearest town or post office* 10 AIR MILES SSW OF FARMINGTON, NM | | 12. County or Parish SAN JUAN | |
| 15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 927' | | 16. No. of acres in lease 913.25 | |
| 18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 783' | | 17. Spacing Unit dedicated to this well E2 (320 ac.) | |
| 21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6,034' GL | | 20. BLM/BIA Bond No. on file BLM STATE WIDE NM2726 B188110 | |
| 22. Approximate date work will start* 03/01/2007 | | 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 11/10/2006 |
| Title CONSULTANT | | |
| PHONE: (505) 466-8120 FAX: (505) 466-9682 | | |
| Approved by (Signature)  | Name (Printed/Typed) | Date 8/30/07 |
| Title AFM | Office FTO | |

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)

NOTIFY AZTEC OCD 24 HRS.
PRIOR TO CASING & CEMENT

RCVD AUG 31 '07

OIL CONS. DIV.

DIST. 3

NMOCD

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

RECEIVED
070 FARMINGTON
AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

| | | |
|-----------------------------------|---|--|
| API Number 30-045-34067 | Pool Code 71629 | Pool Name BASIN FRUITLAND COAL GAS |
| Property Code 36706 | Property Name DOMESTIC FEDERAL FC 18 | Well Number 1 |
| GRID No. 013998 | Operator Name MARALEX RESOURCES, INC. | Elevation 6034 |

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 |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|----------|
| G | 18 | 27N | 13W | | 2214 | North | 1713 | 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 320 | | Joint or Infill | | Consolidation Code | | Order No. | | | |

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

| | | | | | | | | |
|------------|----|-----------|------|-------|-----------|------------|--|---|
| N 0° 07' E | 16 | 45.68 ch. | WEST | 2214' | 40 ch. | M 0° 00' N | 17 | OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief. <i>Brian Wood</i> Signature BRIAN WOOD Printed Name CONSULTANT Title and E-mail Address brian@permitswest.com Date NOV. 10, 2006 |
| | 3 | 2 | 1 | | 1713' | | 18 | SURVEYOR CERTIFICATION 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. <i>William E. Mahoney</i> Signature and Seal of Professional Surveyor WILLIAM E. MAHONEY Date of Survey NOV 10 2006 Certificate Number 8466 |
| | 4 | 5 | 6 | | SEC. 18 | | LAT. 36.57594° N LONG. 108.25650° W | |
| | 9 | 8 | 7 | | 45.92 ch. | | WEST | 40 ch. |
| 10 | 11 | 12 | | | | | | |

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1220 S. St. Francis Dr., Santa Fe, NM 87505

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

WELL API NO.

30-045- 34067

5. Indicate Type of Lease

STATE ☐ FEE ☐6. ~~State~~ Oil & Gas Lease No.

NMNM-008409

7. Lease Name or Unit Agreement Name

DOME FEDERAL 18

8. Well Number #1

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: G

2214' FNL & 1713' FEL

Section 18

Township 27 N

Range 13 W

NMPM

SAN JUAN

County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)

6,034' GL

Pit or Below-grade Tank Application ☒ or Closure ☐Pit type: DRILLING Depth to Groundwater: >100' Distance from nearest fresh water well: >1,000' Distance from nearest surface water: >400'

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.

RCVD AUG 31 '07

OIL CONS. DIV.

DIST. 3

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 NMOC guidelines ☒, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE

TITLE: CONSULTANT

DATE: NOV. 10, 2006

Type or print name: BRIAN WOOD

E-mail address: brian@permitswest.com

Telephone No.: (505) 466-8120

For State Use Only

Deputy Oil & Gas Inspector,
District #3

SEP 06 2007

APPROVED BY:

TITLE

DATE

Conditions of Approval (if any):

Maralex Resources, Inc.
Dome Federal FC 18 #1
2214' FNL & 1713' FEL
Sec. 18, T. 27 N., R. 13 W.
San Juan County, New Mexico

PAGE 1

Drilling Program

1. ESTIMATED FORMATION TOPS

| <u>Formation</u> | <u>GL Depth</u> | <u>KB Depth</u> | <u>Elevation</u> |
|------------------|-----------------|-----------------|------------------|
| Ojo Alamo | 0' | 5' | +6,034' |
| Farmington | 274' | 279' | +5,760' |
| Fruitland | 944' | 949' | +5,090' |
| Pictured Cliffs | 1,314' | 1,319' | +4,720' |
| Lewis Shale | 1,534' | 1,539' | +4,500' |
| Total Depth (TD) | 1,600' | 1,605' | +4,434' |

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.
Dome Federal FC 18 #1
2214' FNL & 1713' FEL
Sec. 18, T. 27 N., R. 13 W.
San Juan County, New Mexico

PAGE 2

Will use rig pump to pressure test to 1,000 psi. 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 | 1,600' |

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 ≈ 145 sacks Class B with 6% gel + 5 pounds per sack gilsonite + 1/4 pound per sack cellophane + 2% CaCl_2 . Follow with ≈ 75 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 17 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' - 1,000' | Fresh Water | 8.4 | Polymer Sweeps | - |
| 1,000' - TD | LSND | 8.4 - 9.1 | 30 - 60 | <10 cc |

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2214' FNL & 1713' FEL
Sec. 18, T. 27 N., R. 13 W.
San Juan County, New Mexico

PAGE 4

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.

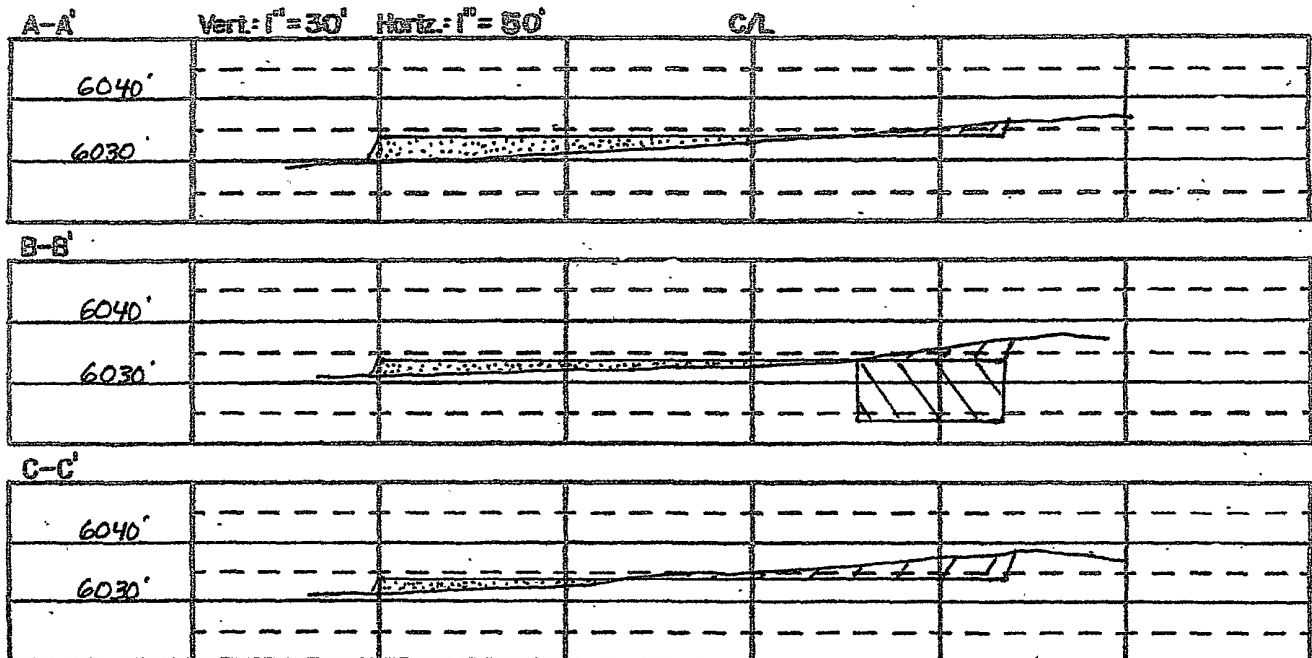
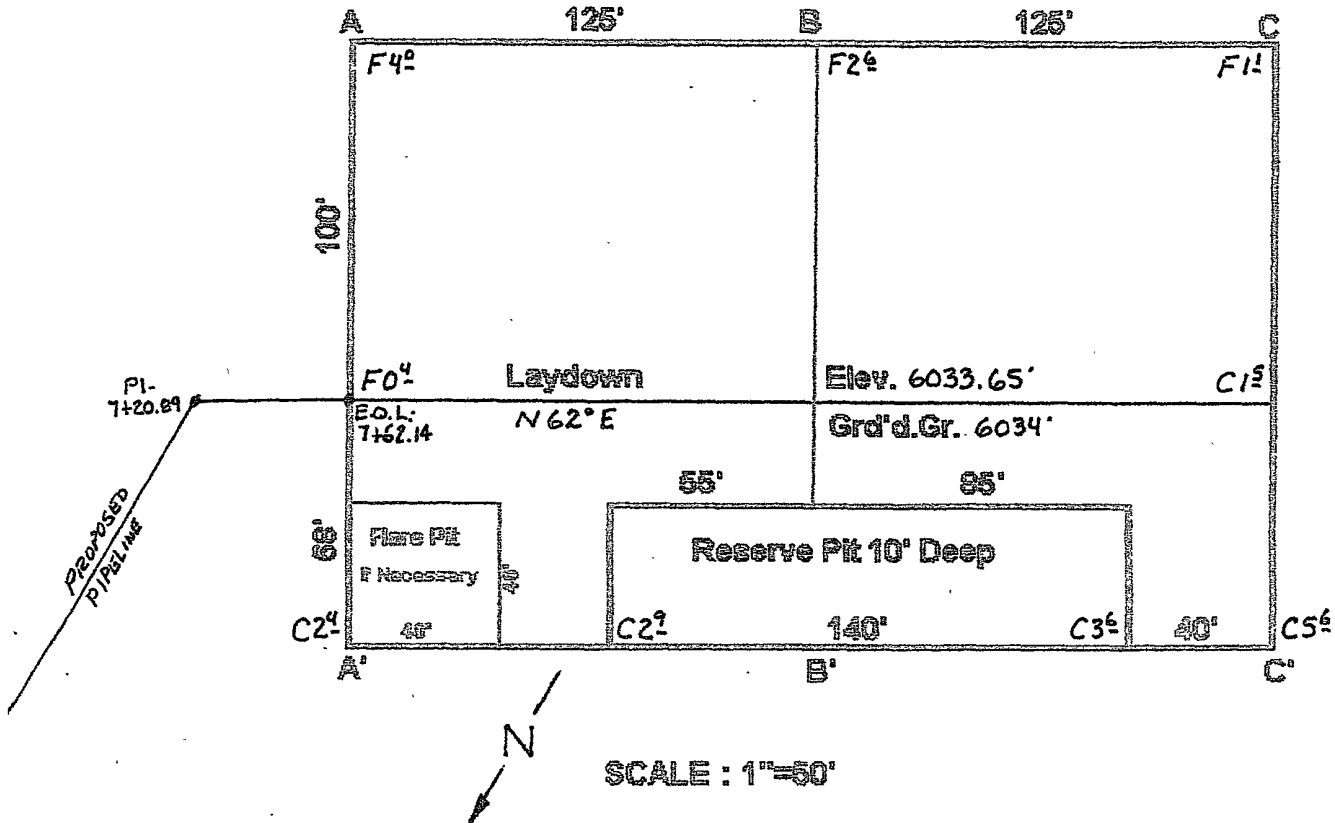
7. DOWN HOLE CONDITIONS

No abnormal pressures, temperatures, nor hydrogen sulfide are expected. Maximum expected bottom hole pressure will be ≤ 350 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.

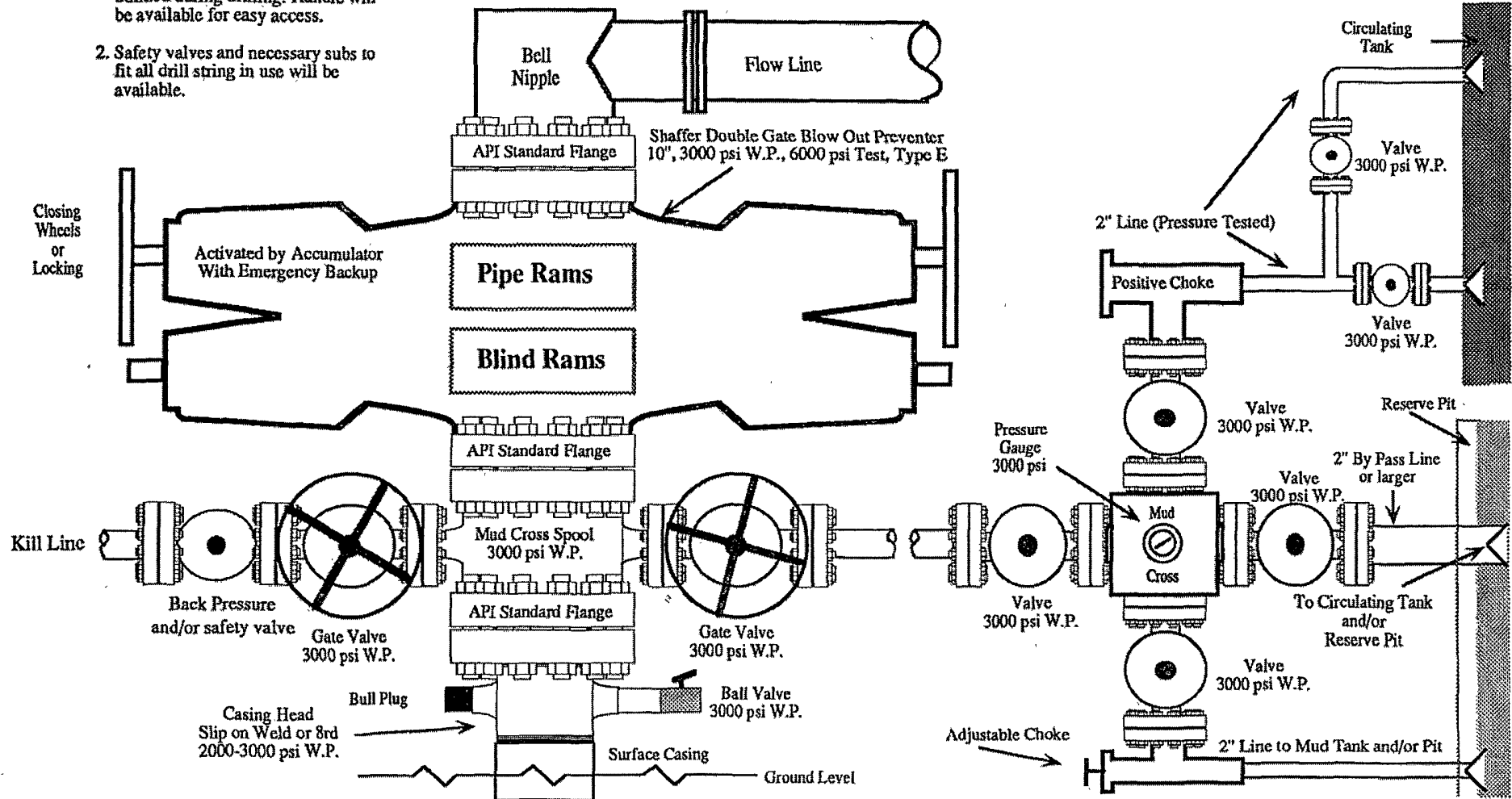
MARALEX RESOURCES, INC.
DOMESTIC FEDERAL FC 18 #1
2214' FNL & 1713' FEL
Sec.18, T27N, R13W, NMPM
San Juan Co., NM



2,000 PSI BOP SYSTEM

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.



Note: This equipment is designed to meet requirements for a 2-M 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.