

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

RECEIVED

NOV 24 PM 12 21

5. Lease Serial No.
NMNM-009787

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.
DOME FEDERAL FC 17 #1-T

9. API Well No.
30-045-34080

10. Field and Pool, or Exploratory
BASIN FRUITLAND COAL GAS

11. Sec., T. R. M. or Blk. and Survey or Area
N 17-27N-13W 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 806' FSL & 2270' FWL
At proposed prod. zone SAME

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

15. Distance from proposed*
location to nearest
property or lease line, ft.
(Also to nearest drig. unit line, if any) 370'

16. No. of acres in lease
800

17. Spacing Unit dedicated to this well
W2 (= 320 acres)

18. Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft. 1,440'

19. Proposed Depth
1,600'

20. BLM/BIA Bond No. on file
BLM STATE WIDE NM 2726-B188140 NM 2890

21. Elevations (Show whether DF, KDB, RT, GL, etc.)
6,046' GL

22. Approximate date work will start*
03/01/2007

23. Estimated duration
2 WEEKS

24. Attachments

RCVD SEP 18 '07

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

OIL CONS. DIV.

1. Well plat certified by a registered surveyor.
2. A Drilling Plan.
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).

4. Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
5. Operator certification
6. Such other site specific information and/or plans as may be required by the authorized officer.

DIST. 3

25. Signature

Brian Wood

Name (Printed/Typed)

BRIAN WOOD

Date

11/18/2006

Title

CONSULTANT

PHONE: (505) 466-8120

FAX: (505) 466-9682

Approved by (Signature)

[Signature]

Name (Printed/Typed)

Date

9/14/07

Title

AFM

Office

FEO

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)

HOLD ON FOR

NSL

NOTIFY AZTEC OCD 24 HRS.
PRIOR TO CASING & CEMENT

36743
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
AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-045-34080	Pool Code 71629	Pool Name BASIN FRUITLAND COAL GAS
Property Code 36	Property Name DOME FEDERAL FC 17	1-T
OGRID No. 013998	Operator Name MARALEX RESOURCES, INC.	Elevation 6046

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
N	17	27N	13W		806	South	2270	West	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

<p>16</p> <p>S 89°58'W</p> <p>80.04 ch.</p> <p>SEC. 17</p> <p>N 0°3'W</p> <p>2270'</p> <p>310'</p> <p>806'</p> <p>WEST 80.04 ch.</p> <p>LAT. 36.56997°N</p> <p>LONG. 108.24361°W</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>Brian Wood</i></p> <p>Printed Name: BRIAN WOOD</p> <p>Title and E-mail Address: brian@permitswest.com</p> <p>Date: NOV. 18, 2006</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 belief.</p> <p>Date of Survey: NOV. 18, 2006</p> <p>Signature and Seal of Professional Surveyor: <i>William E. Mannke II</i></p> <p>Certificate Number: 8466</p>

NSL

5

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- 34080

5. Indicate Type of Lease

STATE ☐ FEE ☐

6. ~~State~~ Oil & Gas Lease No.

NMNM-009787

7. Lease Name or Unit Agreement Name

DOME FEDERAL 17

8. Well Number #1-T

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: N

806' FSL & 2270' FWL

Section 17

Township 27 N

Range 13 W

NMPM

SAN JUAN

County

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

6,046' GL

Pit or Below-grade Tank Application ☒ or Closure ☐

Pit type: DRILLING Depth to Groundwater: >100' Distance from nearest fresh water well: >1000' Distance from nearest surface water: >500'

Pit Liner Thickness:

12 mil

Below-Grade Tank: Volume

bbbls; Construction Material

synthetic

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

SIGNATURE

TITLE: CONSULTANT

DATE: NOV. 18, 2006

Type or print name: BRIAN WOOD

E-mail address: brian@permitswest.com

Telephone No.: (505) 466-8120

For State Use Only

APPROVED BY:

TITLE

Deputy Oil & Gas Inspector

SEP 21 2007

Conditions of Approval (if any):

District #3

DATE

Maralex Resources, Inc.
Dome Federal FC 17 #1-T
806' FSL & 2270' FWL
Sec. 17, 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'	+6,046'
Farmington	516'	521'	+5,530'
Fruitland	951'	956'	+5,095'
Pictured Cliffs	1,326'	1,331'	+4,720'
Lewis Shale	1,546'	1,551'	+4,500'
Total Depth (TD)	1,600'	1,605'	+4,386'

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 17 #1-T
806' FSL & 2270' FWL
Sec. 17, 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

Maralex Resources, Inc.
Dome Federal FC 17 #1-T
806' FSL & 2270' FWL
Sec. 17, 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

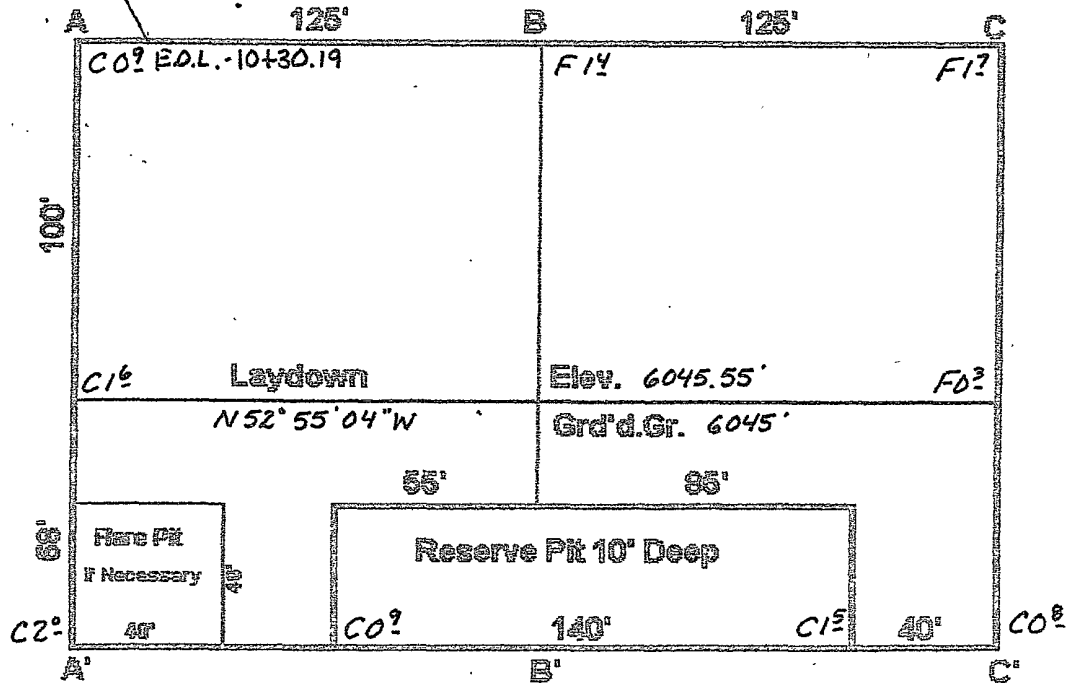
The anticipated spud date is upon approval. It is expected it will take ≈ 2 weeks to drill and complete the well.

MARALEX RESOURCES, INC.

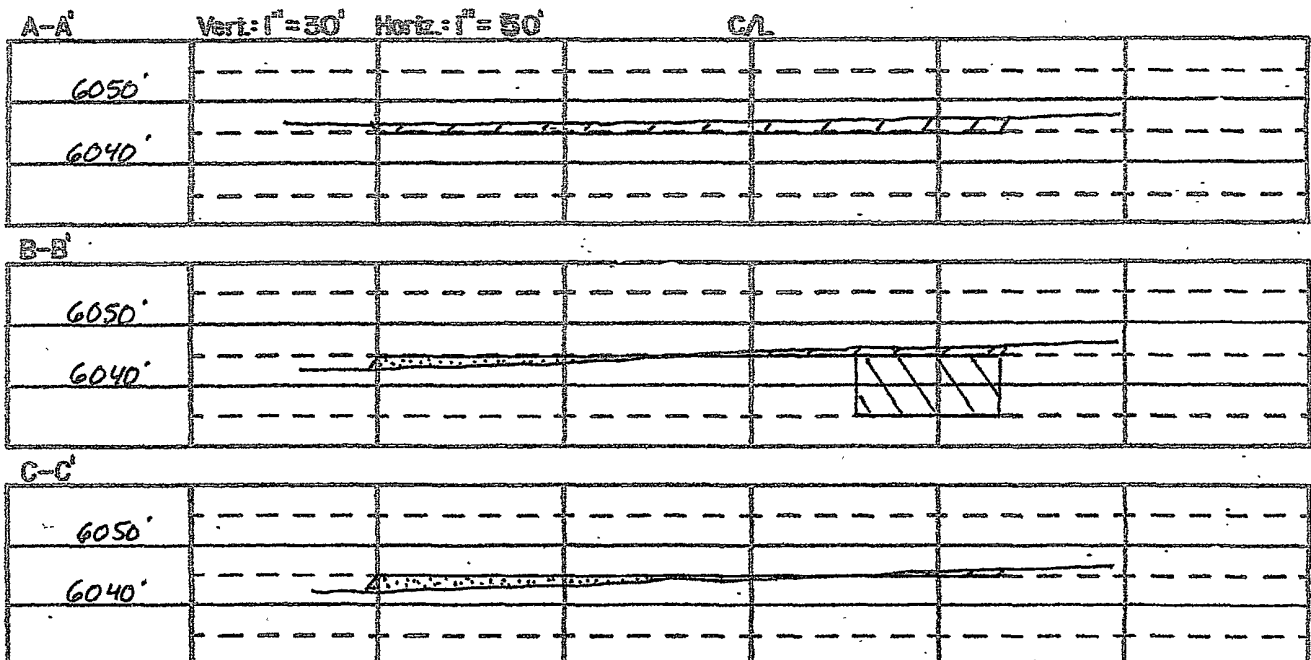
806' FSL & 2270' FWL
 Sec. 17, T27N, R13W, NMPM
 San Juan Co., NM

PROPOSED
 PIPELINE

Dome Federal FC 17 1-T



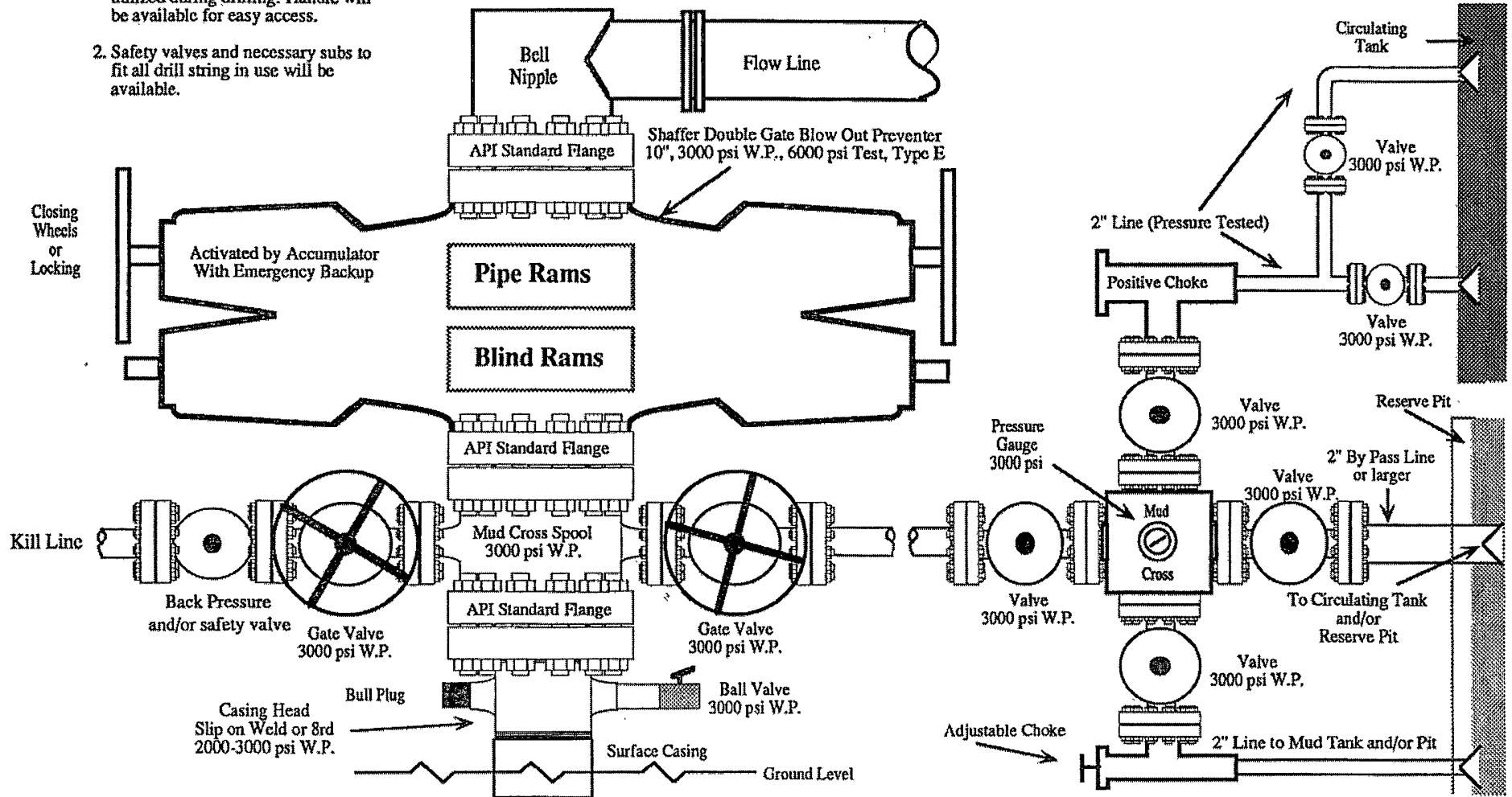
SCALE : 1"=50'



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.