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DIST. 3

Form 3160-3
(April 2004)

APR 14 2008

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

UNITED STATES Bureau of Land Management
DEPARTMENT OF THE INTERIOR Farmington Field Office
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		7. If Unit or CA Agreement, Name and No.
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		8. Lease Name and Well No. TRADING POST 27 #2
2. Name of Operator MARALEX RESOURCES, INC.		9. API Well No. 30-045- 34686
3a. Address P. O. BOX 338 IGNACIO, CO 81337	3b. Phone No. (include area code) (970) 563-4000	10. Field and Pool, or Exploratory BASIN FRUITLAND COAL GAS
4. Location of Well (Report location clearly and in accordance with any State requirements.) At surface 660' FSL & 1970' FEL At proposed prod. zone SAME		11. Sec., T. R. M. or Blk. and Survey or Area 27-25N-11W NMMPM
14. Distance in miles and direction from nearest town or post office* 24 AIR MILES SSW OF BLOOMFIELD, 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) 660'		13. State NM
16. No. of acres in lease 520 (320 in CA)	17. Spacing Unit dedicated to this well S2 (= 320 acres)	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 3,094' (26 #1)	19. Proposed Depth 1,600'	20. BLM/BIA Bond No. on file 2880 BLM STATE WIDE NM2726-B188110
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6,666' GL	22. Approximate date work will start* 05/01/2008	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:

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

25. Signature 	Name (Printed/Typed) BRIAN WOOD	Date 04/12/2008
Title CONSULTANT		
PHONE: (505) 466-8120 FAX: (505) 466-9682		
Approved by (Signature) 	Name (Printed/Typed) AEM	Date 6/25/08
Title FFO		

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 CDD 24 HRS PRIOR TO CASING & CEMENT NMOC
BLM'S APPROVAL OR ACCEPTANCE OF THIS ACTION DOES NOT RELIEVE THE LESSEE AND OPERATOR FROM OBTAINING ANY OTHER AUTHORIZATION REQUIRED FOR OPERATIONS ON FEDERAL AND INDIAN LANDS

A COMPLETE C-144 MUST BE SUBMITTED TO AND APPROVED BY THE NMOC FOR: A PIT, CLOSED LOOP SYSTEM, BELOW GRADE TANK, OR PROPOSED ALTERNATIVE METHOD, PURSUANT TO NMOC PART 19.15.17, PRIOR TO THE USE OR CONSTRUCTION OF THE ABOVE APPLICATIONS.

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

JUL 02 2008
DRILLING OPERATIONS AUTHORIZED ARE SUBJECT TO COMPLIANCE WITH ATTACHED "GENERAL REQUIREMENTS".

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1010 Rio Pecos 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

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Form C-102

Revised October 12, 2005

to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

Bureau of Land Management
Farmington Field Office

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-045-34686	² Pool Code 71629	³ Pool Name BASIN FRUITLAND COAL GAS
⁴ Property Code 24621	⁵ Property Name TRADING POST 27	⁶ Well Number 2
⁷ OGRID No. 013998	⁸ Operator Name MARALEX RESOURCES, INC.	⁹ Elevation 6666

Surface Location

UL or lot no.	Section	Township	Range	Lot No.	Feet from the	North/South line	Feet from the	East/West line	County
0	27	25N	11W		660	South	1970	East	San Juan

Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot No.	Feet from the	North/South line	Feet from the	East/West line	County
¹⁰ Dedicated Acres 320	¹¹ Joint or Infill	¹² Consolidation Code C	¹³ 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.

¹⁶ S 89°52' W 39.86 Ch. 79.56 Ch. N 0°08' E N 89°35' W 660' 79.95 Ch.	S 89°51' W 40.09 Ch. Sec. 27 Lat. 36.36661° N Long. 107.98917° W 1970'	¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that the organization under which I am working has no interest or undivided mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract such as owner of such a mineral or working interest, or has a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. Date: 4-12-08 Signature: <i>[Signature]</i> Printed Name: BRIAN WOOD
	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 belief. Date of Survey: 15 Jan 2008 Signature and Seal of Professional Surveyor: <i>[Signature]</i> William E. Mahnke II Certificate Number: 8466	

Maralex Resources, Inc.
Trading Post 27 #2
660' FSL & 1970' FEL
Sec. 27, 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'	+6,666'
Fruitland Formation	1,176'	1,181'	+5,490'
Basal Fruitland Coal	1,386'	1,391'	+5,280'
Pictured Cliffs	1,406'	1,411'	+5,260'
Lewis Shale	1,591'	1,596'	+5,075'
Total Depth (TD)	1,600'	1,605'	+5,066'

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 27 #2
660' FSL & 1970' FEL
Sec. 27, T. 25 N., R. 11 W.
San Juan County, New Mexico

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Pressure tests to $\approx 1,000$ 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	1,600'

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 (≈ 272 cubic feet) Class B with 6% gel + 5 pounds per sack gilsonite + 1/4 pound per sack cellophane + 2% CaCl_2 . Follow with ≈ 75 sacks (≈ 95 cubic feet) 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' - 1,200'	Fresh Water	8.4	Polymer Sweeps	-
1,200' - TD	LSND	8.4 - 9.1	30 - 60	<10 cc

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San Juan County, New Mexico

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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.

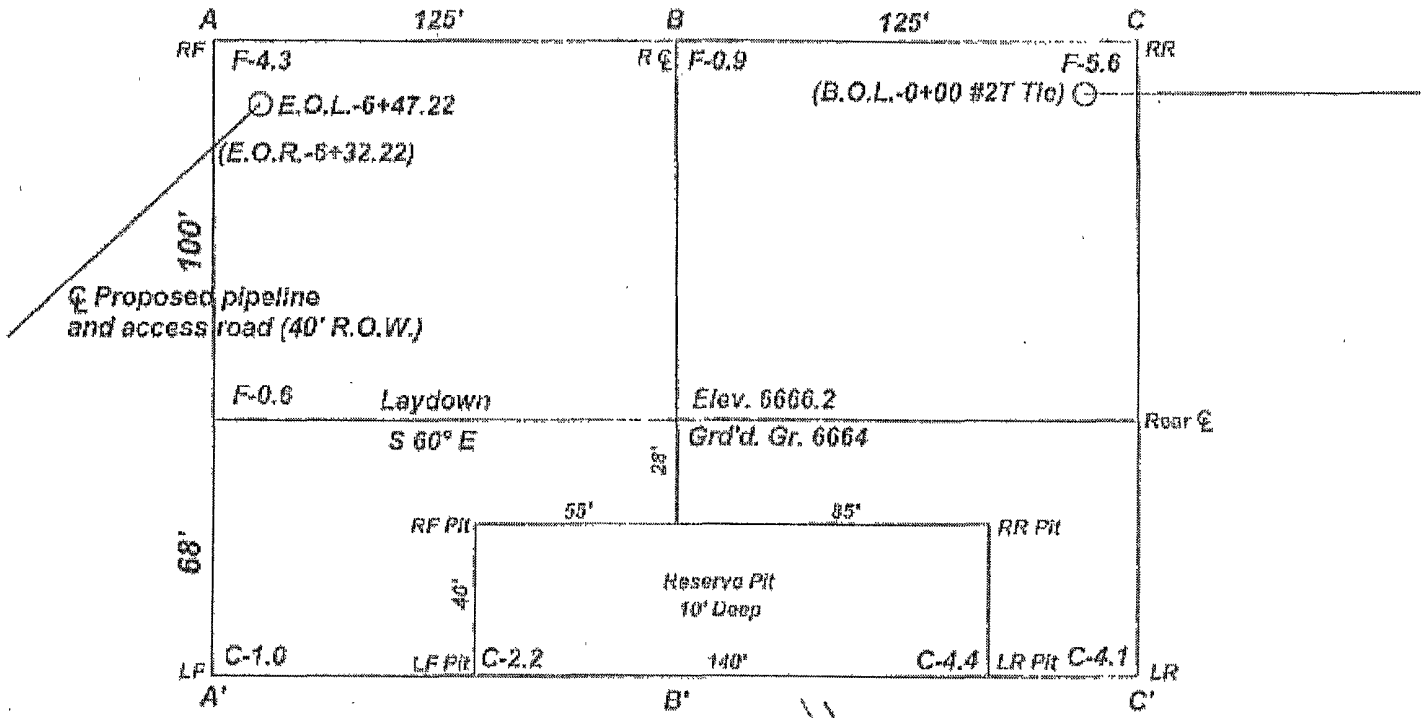
7. DOWN HOLE CONDITIONS

No abnormal pressures, temperatures, nor hydrogen sulfide are expected. Maximum expected bottom hole pressure will be ≤ 640 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.

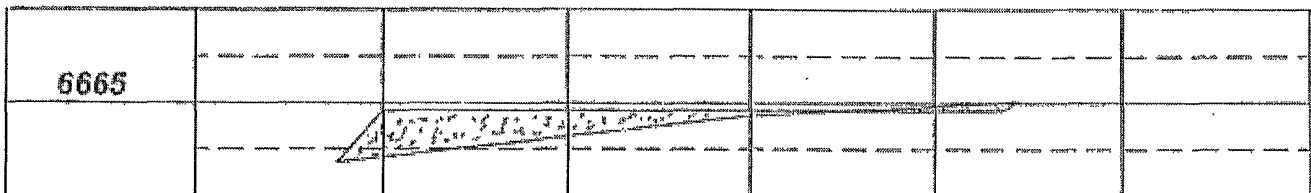
MARALEX RESOURCES, INC.
 TRADING POST 27 #2
 660' FSL & 1970' FEL
 Sec. 27, T25N, R11W, NMPM
 San Juan Co., NM



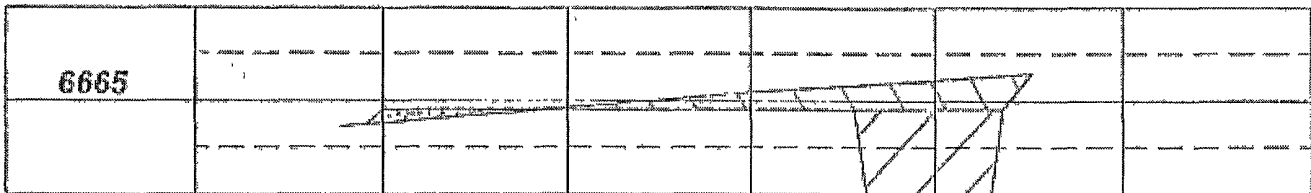
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A-A' Vert.: 1"=20' Horiz.: 1"=50'

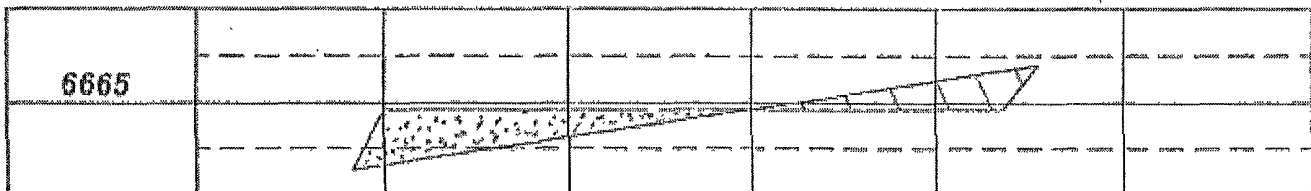
C/L



B-B'



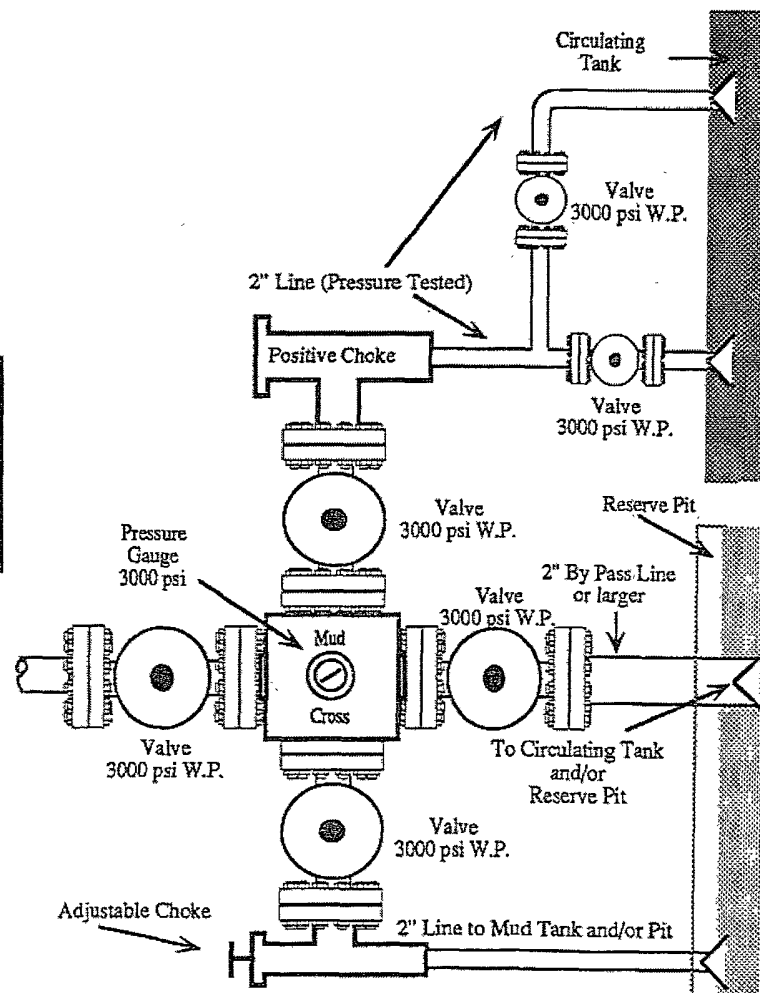
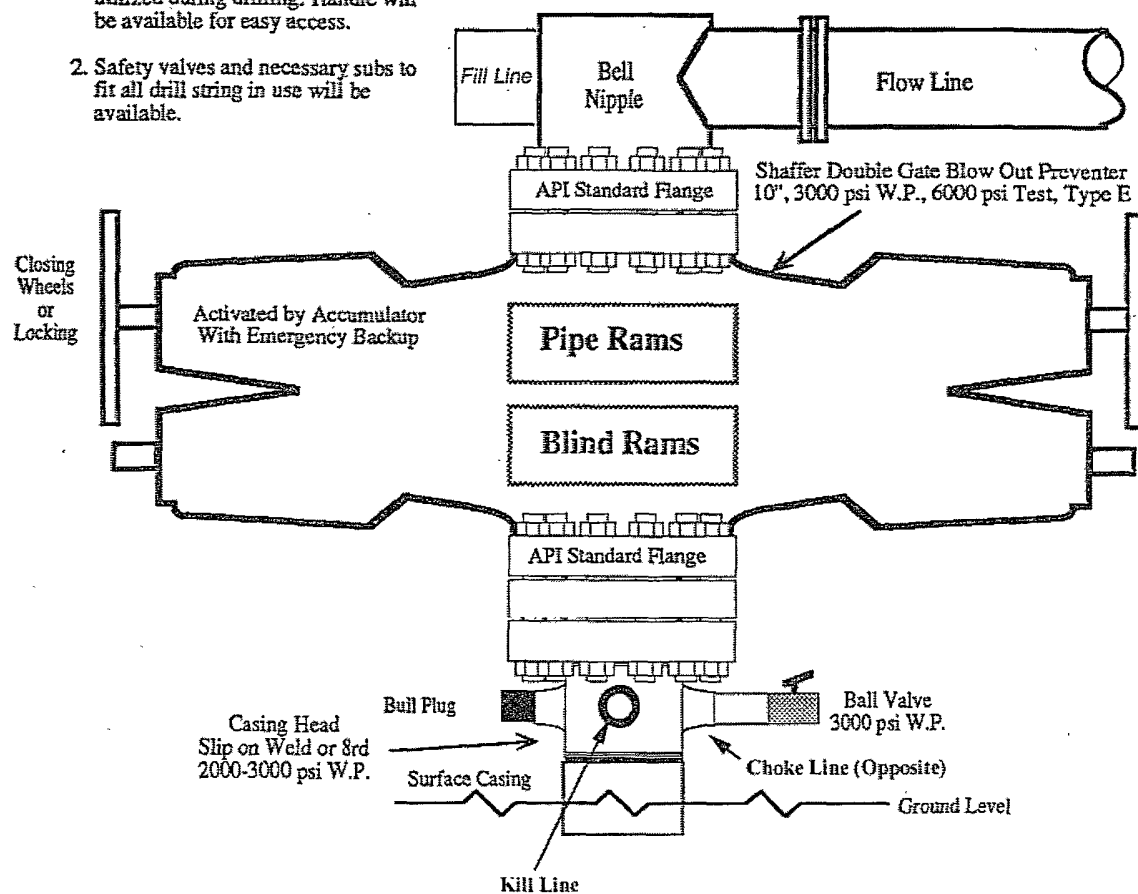
C-C'



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.