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MAY 05 2008

RCVD AUG 11 '08  
OIL CONS. DIV.

DIST 3  
FORM APPROVED  
OMB No. 1004-0137  
Expires March 31, 2007

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

Bureau of Land Management  
Farmington Field Office

Lease Serial No.  
NMNM-100305

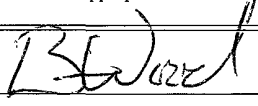
APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		6. If Indian, Allottee or Tribe Name N/A
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		7. If Unit or CA Agreement, Name and No. <b>TO BE FILED</b>
2. Name of Operator <b>MARALEX RESOURCES, INC.</b>		8. Lease Name and Well No. <b>TRADING POST 27 #2-T</b>
3a. Address <b>P. O. BOX 338 IGNACIO, CO 81337</b>	3b. Phone No. (include area code) <b>(970) 563-4000</b>	9. API Well No. <b>30-045- 34698</b>
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface <b>1300' FSL &amp; 1300' FWL</b> At proposed prod. zone <b>SAME</b>		10. Field and Pool, or Exploratory <b>BASIN FRUITLAND COAL GAS</b>
11. Sec., T. R. M. or Blk. and Survey or Area <b>M 27-25N-11W NMPM</b>		12. County or Parish <b>SAN JUAN</b>
13. State <b>NM</b>		14. Distance in miles and direction from nearest town or post office* <b>24 AIR MILES SSW OF BLOOMFIELD, NM</b>
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) <b>20' (1,300' to CA line)</b>	16. No. of acres in lease <b>549.26 (320 in CA)</b>	17. Spacing Unit dedicated to this well <b>S2 (= 320 acres)</b>
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. <b>2,109' (27 #2 in CA)</b>	19. Proposed Depth <b>1,500'</b>	20. BLM/BIA Bond No. on file <b>BLM STATE WIDE NM2880</b>
21. Elevations (Show whether DF, KDB, RT, GL, etc.) <b>6,624' GL</b>	22. Approximate date work will start* <b>05/21/2008</b>	23. Estimated duration <b>2 WEEKS</b>

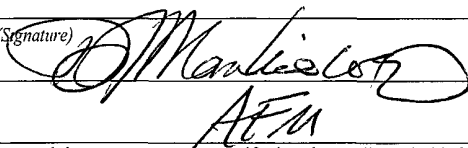
24. Attachments

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) <b>BRIAN WOOD</b>	Date <b>05/02/2008</b>
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Title **CONSULTANT** PHONE: (505) 466-8120 FAX: (505) 466-9682

Approved by (Signature) 	Name (Printed/Typed) <b>AFM</b>	Date <b>8/6/08</b>
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Title **AFM** Office **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)

**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**

**NOTIFY AZTEC OCD 24 HRS.  
PRIOR TO CASING & CEMENT**

**NMOCD**

**AUG 11 2008**



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

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

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

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, Artesia, NM 88210  
District III  
1050 Rio Grande Blvd., 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  
Submitted to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

☐ AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

1 API Number <b>30-045-34698</b>		2 Pool Code <b>71629</b>		3 Pool Name <b>BASIN FRUITLAND COAL GAS</b>	
4 Property Code <b>24621</b>		5 Property Name <b>TRADING POST 27</b>			6 Well Number <b>2T</b>
7 OILCON No. <b>013998</b>		8 Operator Name <b>MARALEX RESOURCES, INC.</b>			9 Elevation <b>6624</b>

**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>M</b>	<b>27</b>	<b>25N</b>	<b>11W</b>		<b>1300</b>	<b>South</b>	<b>1300</b>	<b>West</b>	<b>San Juan</b>

**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

12 Dedicated Acres <b>320.52</b>	13 Joint or Infill	14 Consolidation Code <b>C</b>	15 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.

16	S 89°52' W 39.86 Ch.	S 89°51' W 40.09 Ch.	17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and accurate to the best of my knowledge and belief, and that this operation is either mine or working interest or undivided interest in the land including the proposed bottom hole location or has a right to drill the well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order hereinafter approved by the Division.  Signature: <i>Brian Wood</i> Date: <b>5-2-08</b>
	<p>79.56 Ch.</p> <p>40.34 Ch.</p> <p>Sec. 27</p> <p>Lat. 36.36242° N Long. 107.99600° W</p> <p>1300'</p> <p>1300'</p> <p>N 89°35' W 79.95 Ch.</p>		

Maralex Resources, Inc.  
Trading Post 27 #2-T  
1300' FSL & 1300' FWL  
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'	+6,624'
Fruitland Coal	1,329'	1,334'	+5,295'
Pictured Cliffs	1,369'	1,474'	+5,255'
Total Depth (TD)	1,500'	1,505'	+5,124'

### 2. NOTABLE ZONES

<u>Oil &amp; 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.

Pressure tests to  $\approx$ 1,000 psi will be conducted with a rig pump. All BOP,

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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	1,500'

Surface casing will be cemented to the surface with  $\approx 135$  cubic feet ( $\approx 115$  sacks) standard cement with 1/4 pound per sack cellophane + 2%  $\text{CaCl}_2$ . 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  $\approx 135$  sacks ( $\approx 254$  cubic feet) Class B with 6% gel + 5 pounds per sack gilsonite + 1/4 pound per sack cellophane + 2%  $\text{CaCl}_2$ . Follow with  $\approx 70$  sacks ( $\approx 88$  cubic feet). Class B with 0.4% Halad 344 + 5 pounds per sack gilsonite + 1/4 pound per sack cellophane +  $\approx 35$  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 16 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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#### 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  $\leq 600$  psi.

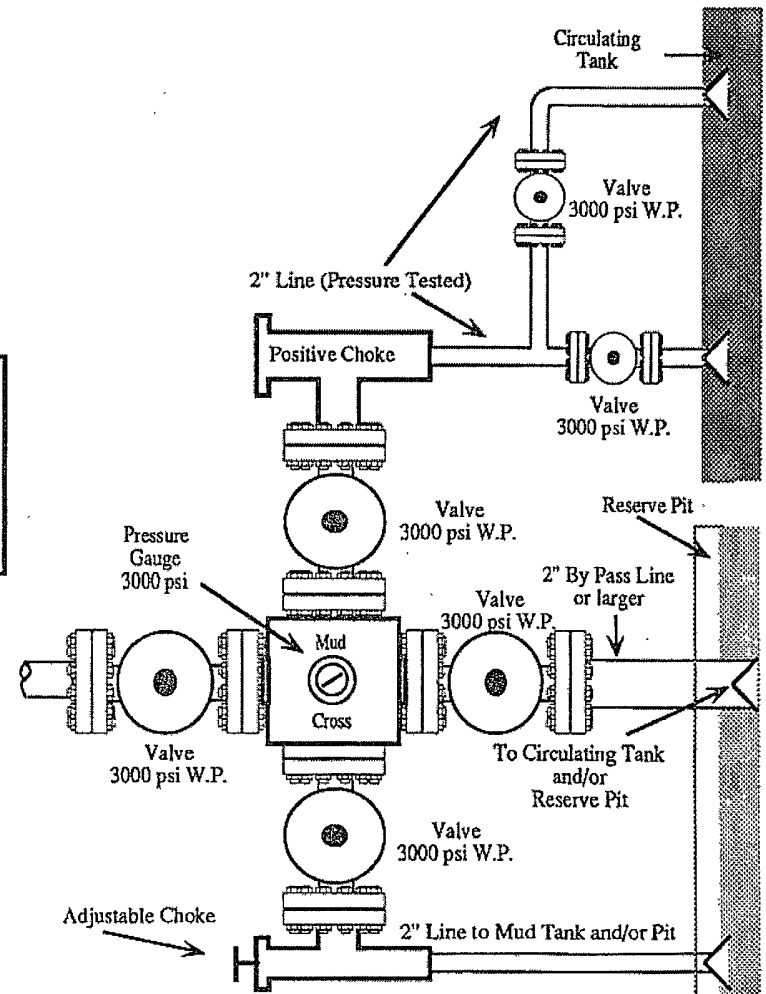
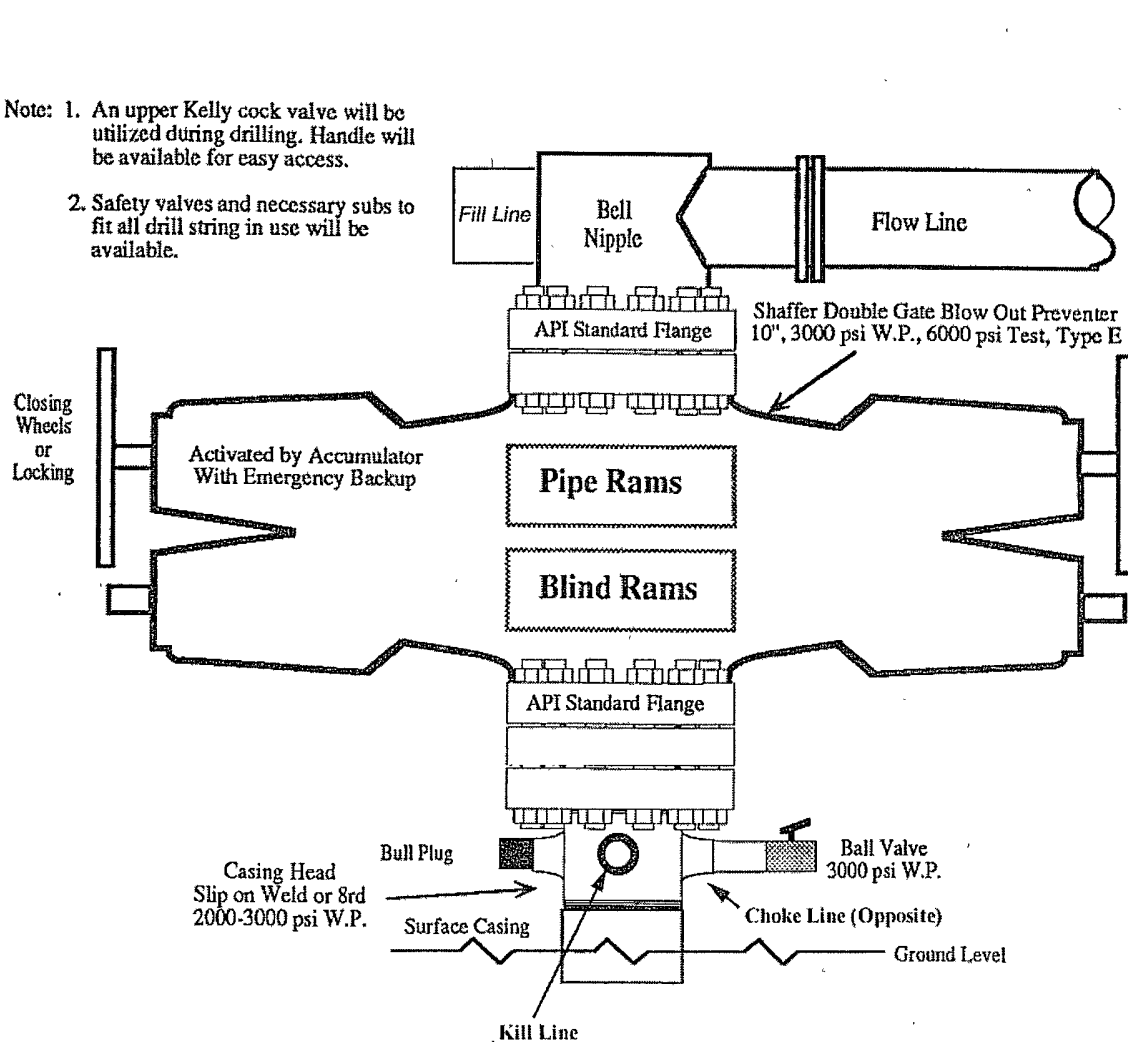
#### 8. OTHER INFORMATION

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

Will communitize 3 BLM leases:      NMNM-036252 (S2SE4 & E2SW4 Section 27)  
   NMNM-036252A (N2SE4 Section 27)  
   NMNM-100305 (W2SW4 Section 27)

# 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.