

RECEIVED

Form 3160-3
(April 2004)

MAR 21 2009

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.
NMSF-078621

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.
2. Name of Operator MARALEX RESOURCES, INC.		8. Lease Name and Well No. TRADING POST 29 #3
3a. Address P. O. BOX 338 IGNACIO, CO 81337	3b. Phone No. (include area code) (970) 563-4000	9. API Well No. 30-045-34931
4. Location of Well (Report location clearly and in accordance with any State requirements *) At surface 1470' FSL & 1615' FWL 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* 24 AIR MILES SOUTH OF BLOOMFIELD, NM		11. Sec., T. R. M. or Blk. and Survey or Area 15 29-25N-10W NMPM
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1,470'	16. No. of acres in lease 560	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. 2,126' (Brook. A 2)	19. Proposed Depth 1,650'	20. BLM/BIA Bond No. on file BLM STATE WIDE NM2880
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6,726' GL	22. Approximate date work will start* 08/01/2009	23. Estimated duration 2 WEEKS

24. Attachments

RCVD AUG 24 '10

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.

- 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.

DIST. 3

25. Signature 	Name (Printed/Typed) BRIAN WOOD	Date 03/28/2009
Title CONSULTANT	PHONE: (505) 466-8120	FAX: (505) 466-9682
Approved by (Signature) 	Name (Printed/Typed) AFM	Date 8/18/2010
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)

NOTIFY AZTEC OCD 24 HRS.
PRIOR TO CASING & CEMENT

AUG 27 2010

NMOCD

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.

RECEIVED**District I**

1623 N. French Dr., Hobbs, NM 88240

District II

1701 W. Grand Avenue, Artesia, NM 88201

District III

1169 Rte. 82000 P.O., Aztec, NM 87410

District IV

1220 S. St. Francis Dr., Santa Fe, NM 87501

State of New Mexico

Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION1220 South St. Francis
Santa Fe, NM 87505**Bureau of Land Management
Farmington Field Office**

Form C-102

Revised October 12, 2005

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

☐ AMENDED REPORT**WELL LOCATION AND ACREAGE DEDICATION PLAT**

API Number 30-045-34931	Pool Code 71629	Pool Name BASIN FRUITLAND COAL GAS
Property Code 37118	Property Name TRADING POST 29	Well Number 3
OCRD No. 013998	Operator Name MARALEX RESOURCES, INC.	Elevation 6726

10 Surface Location

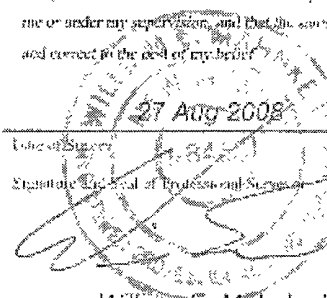
UL or Lot No	Section	Township	Range	Lot Idn	Feet from the	North-South Line	Feet from the	East-West Line	County
K	29	25 N	10 W		1470	South	1615	West	San Juan

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

12 Pool Area in Acres	13 Joint or Initial	14 Completion Code	15 Order No
320			

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° 47' W	79.91 Ch.	9 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns, works, mines or unleased mineral interests in the land including the proposed bottom hole location or has a right to drill into well at this location pursuant to a contract with an owner of such mineral or mining interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. 3-28-09 Signature: <i>B. Wood</i> Date: Printed Name: BRIAN WOOD
79.55 Ch.		79.70 Ch.	
	Sec.	29	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.  License of Surveyor: 8456 Signature of Licensed Professional Surveyor: <i>William E. Moenke II</i> Certificate Number: 8456
1615'	Lat. 36.36689°N Long. 107.92331°W	79.97 Ch.	
North	1470'	N 0° 03' W	
	S 89° 56' W		

Maralex Resources, Inc.
Trading Post 29 #3
1470' FSL & 1615' FWL
Sec. 29, T. 25 N., R. 10 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'	+6,726'
Ojo Alamo sandstone	721'	726'	+6,005'
Kirtland shale	801'	806'	+5,925'
Fruitland coal	1,341'	1,346'	+5,385'
Pictured Cliffs sandstone	1,591'	1,596'	+5,135'
Total Depth (TD)	1,650'	1,655'	+5,076'

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 29 #3
1470' FSL & 1615' FWL
Sec. 29, T. 25 N., R. 10 W.
San Juan County, New Mexico

PAGE 2

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	1,650'

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.

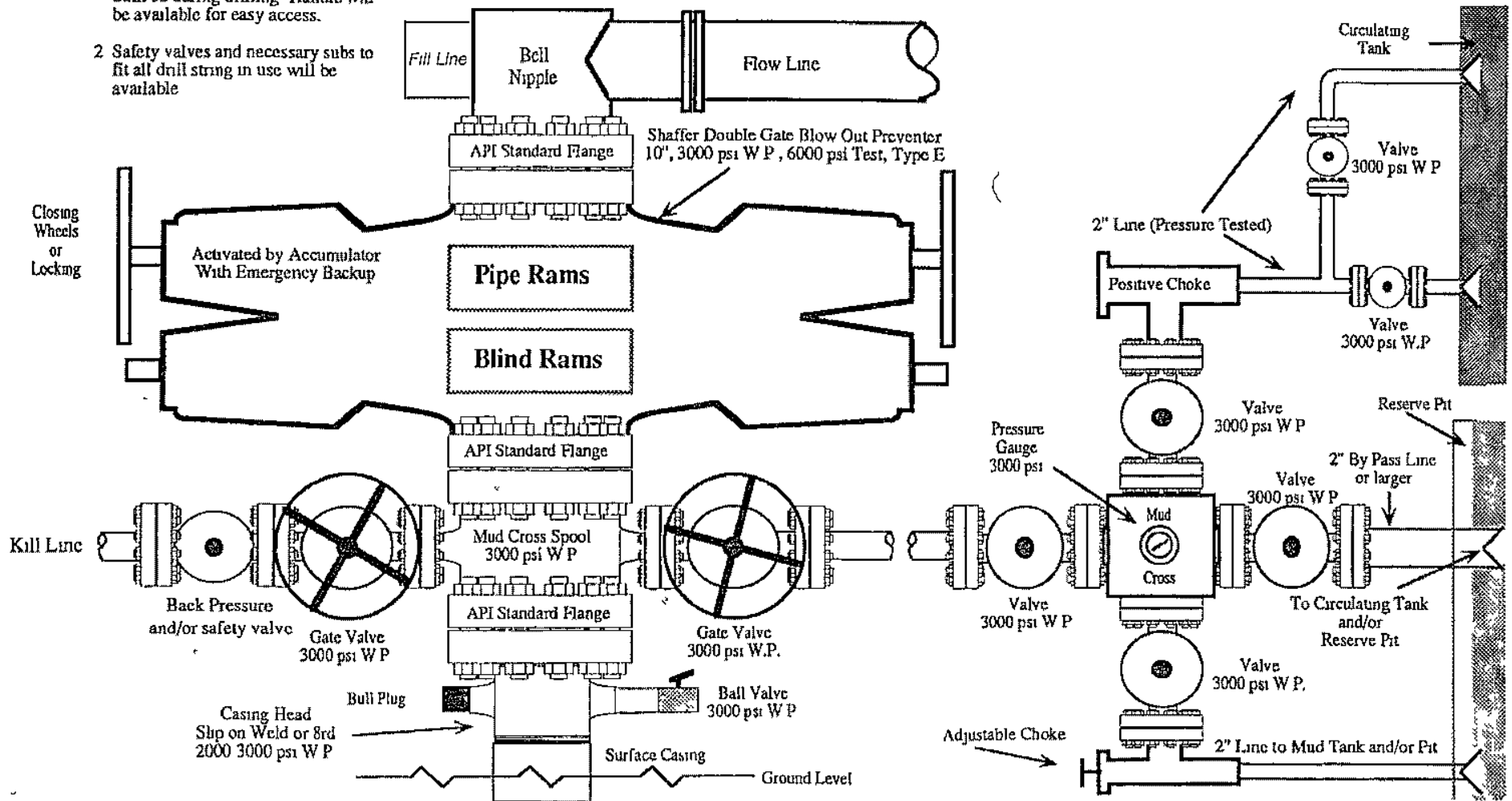
Production casing will be cemented to the surface with $\approx 25\%$ annular excess. Cement with ≈ 150 sacks (≈ 282 cubic feet) Class B with 6% gel + 5 pounds per sack gilsonite + 1/4 pound per sack cellophane + 2% CaCl_2 . Follow with ≈ 80 sacks (≈ 101 cubic feet) Class B with 0.4% Halad 344 + 5 pounds 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

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.