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APR 15 2009

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

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT
Farmington Field Office
APPLICATION FOR PERMIT TO DRILL OR REENTER

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMSF-078621
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		6. If Indian, Allottee or Tribe Name N/A
2. Name of Operator MARALEX RESOURCES, INC.		7. If Unit or CA Agreement, Name and No.
3a. Address P. O. BOX 338 IGNACIO, CO 81337		8. Lease Name and Well No. TRADING POST 29 #2
3b. Phone No. (include area code) (970) 563-4000		9. API Well No. 30-045-34953
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 1765' FNL & 885' 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 E 29-25N-10W NMPM
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 885'	16. No. of acres in lease 560	17. Spacing Unit dedicated to this well N2 (= 320 acres)
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 2,171' (TP 29 #3)	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.) 6,647' GL	22. Approximate date work will start* 08/15/2009	23. Estimated duration 2 WEEKS

24. Attachments

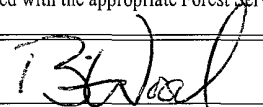
RCVD AUG 24 '10

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

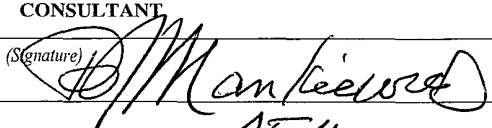
OIL CONS. DIV.

- | | |
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| 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. |

DIST. 3

25. Signature 	Name (Printed/Typed) BRIAN WOOD	Date 04/13/2009
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Title CONSULTANT	PHONE: (505) 466-8120	FAX: (505) 466-9682
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Approved by (Signature) 	Name (Printed/Typed)	Date 8/18/2010
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Title AFM	Office FFO
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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)

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.

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

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

Drilling operations authorized are subject to compliance with attached General Requirements.

AUG 27 2010 NMOC

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2nd Floor
1025 N. Francis St., Santa Fe, NM 87505
1200 S. St. Francis St., Santa Fe, NM 87505
1501 W. Grand Avenue, Artesia, NM 88210
1409 Rio-Rancho Rd., Aztec, NM 87416
1320 S. St. Francis St., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
Bureau of Land Management
1220 South St. Francis
Santa Fe, NM 87505

APR 5 2009
Revised October 12, 2003
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-045-34953	Post Code 71629	Field Name BASIN FRUITLAND COAL GAS
Property Code 37118	Property Name TRADING POST 29	Well Number 2
Lease No. 013998	Operator Name MARALEX RESOURCES, INC.	Block No. 6547

Surface Location

RT or LT No. E	Section 29	Township 25 N	Range 10 W	Lot No. 1765	North-South Line North	East from the 985	Back West Line West	County San Juan
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Bottom Hole Location If Different From Surface

RT or LT No.	Section	Township	Range	Lot No.	East from the	North-South Line	East from the	Back West Line	County
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Block and Acres 320	Lease or Hold	Conservation Code C	Order No.
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No allocation will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

	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 this information is being given for the purpose of obtaining a lease or other interest in the land underlying the proposed bottom hole location or for a right to drill and/or produce oil or gas from a well on or under the land owned or controlled by me or under my supervision, and that the same is true and correct to the best of my belief. Date: 4-13-09 Signature: <i>Brian Wood</i> Printed Name: BRIAN WOOD
	16 SURVEYOR CERTIFICATION I hereby certify that the well location shown on this plat was plotted from field notes of a land survey made by me or under my supervision, and that the same is true and correct to the best of my belief. Date of Survey: 25 July 2008 Signature: <i>William E. Malinke II</i> Printed Name: William E. Malinke II Certificate Number: 8466

Maralex Resources, Inc.
Trading Post 29 #2
1765' FNL & 885' 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'	+6,647'
Ojo Alamo sandstone	647'	652'	+6,000'
Kirtland shale	792'	797'	+5,855'
Fruitland formation	1,317'	1,322'	+5,330'
Pictured Cliffs sandstone	1,527'	1,532'	+5,120'
Lewis shale	1,647'	1,652'	+5,000'
Total Depth (TD)	1,650'	1,655'	+4,997'

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

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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, 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

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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

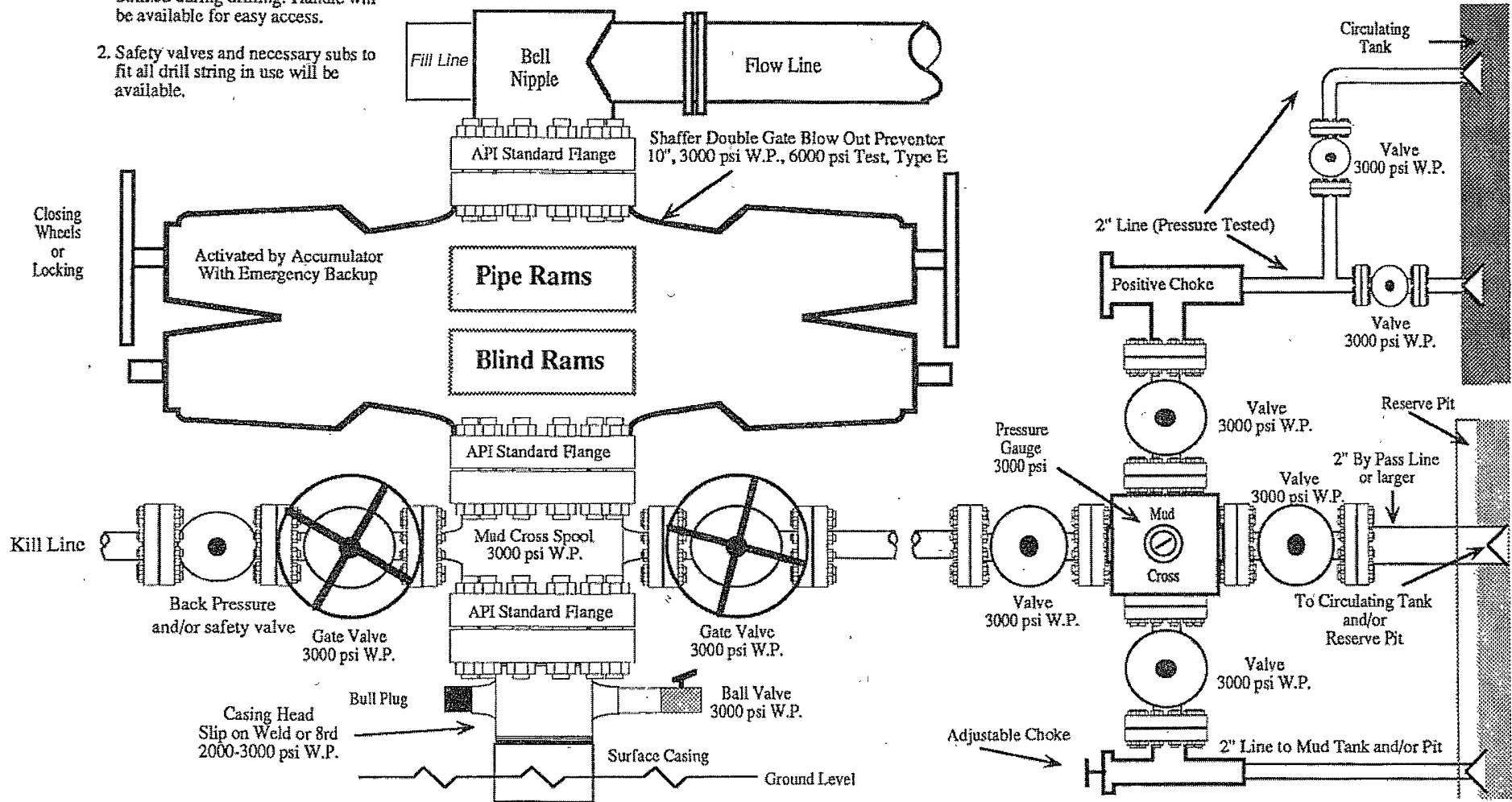
No abnormal pressures, temperatures, nor hydrogen sulfide are expected. Maximum expected bottom hole pressure will be ≤ 660 psi.

8. OTHER INFORMATION

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

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.