

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

RECEIVED
Dec 2
7:35 AM
070 Farmington, NM

FORM APPROVED
OMB No. 1004-0136
Expires November 30, 2000

5. Lease Serial No. NM 036252
6. If Indian, Allottee or Tribe Name
7. If Unit or CA Agreement, Name and No.
8. Lease Name and Well No. Trading Post 26 # 3
9. API Well No. 30045 31279
10. Field and Pool, or Exploratory Basin Fruitland Coal
11. Sec., T., R., M., or Blk. and Survey or Area C Section 26-T25N-R11W
12. County or Parish San Juan
13. State NM
14. Distance in miles and direction from nearest town or post office* Approximately 25 miles southwest of Bloomfield
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 800'
16. No. of Acres in lease 320
17. Spacing Unit dedicated to this well 160 320W/2
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 200'
19. Proposed Depth 1550'
20. BLM/BIA Bond No. on file 8188110
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 6534' GL
22. Approximate date work will start* 12/15/02
23. Estimated duration 6 days

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 <i>A.M. O'Hare</i>	Name (Printed/Typed) A.M. O'Hare	Date 11/27/02
Title President		
Approved by (Signature) <i>[Signature]</i>	Name (Printed/Typed)	Date 7-1-05
Title AFM	Office FFO	

Application approval does not warrant or certify the 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 reverse)

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

NMOC

District I
PO Box 1980, Hobbs, NM 88241-1980
District II
PO Drawer DD, Artesia, NM 88211-0719
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
PO Box 2088, Santa Fe, NM 87504-2088

State of New Mexico
Energy, Minerals & Natural Resources Department

OIL CONSERVATION DIVISION

PO Box 2088
Santa Fe, NM 87504-2088 32 AM 7:35

Form C-102
Revised February 21, 1994
Instructions on back
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

070 Farmington, NM

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30-045-31279		2 Pool Code 71629		3 Pool Name Basin Fruitland Coal	
4 Property Code 25469		5 Property Name TRADING POST 26			6 Well Number 3
7 OGRID No. 013998		8 Operator Name MARALEX RESOURCES, INC.			9 Elevation 6534

10 Surface Location

UL or lot no. C	Section 26	Township 25 N	Range 11 W	Lot Idn	Feet from the 800	North/South line North	Feet from the 1800	East/West line West	County San Juan
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11 Bottom Hole Location If Different From Surface

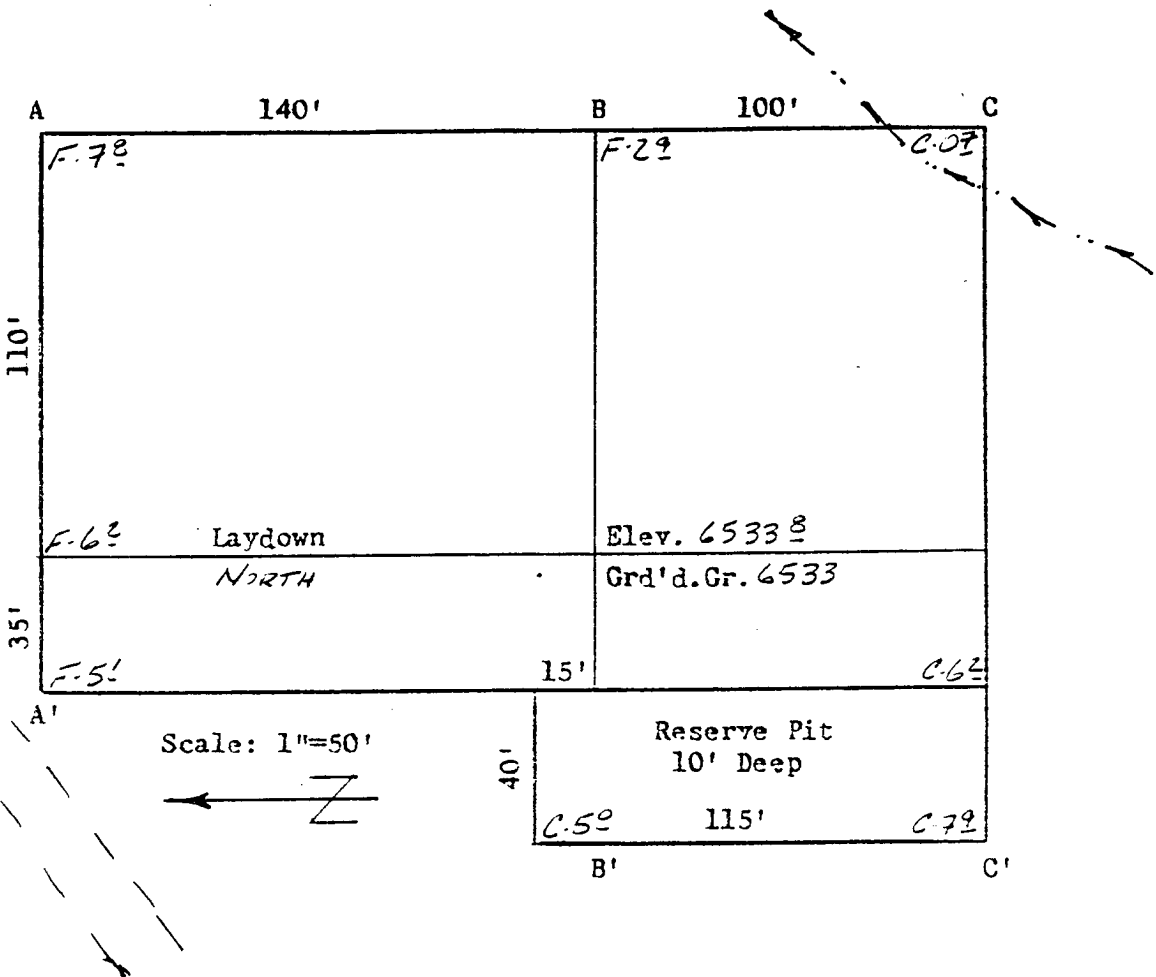
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
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12 Dedicated Acres 320	13 Joint or Infill	14 Consolidation Code	15 Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

GLO B.C. S89°53'52"E 2636.67'		GLO B.C.		GLO B.C.		17 OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief Signature Carla S. Shaw Printed Name Production Technician Title 10/31/02 Date
1800'		800'		JUL 2005 OIL CONSERVATION DIVISION DIST. 8		
2658.82'		26		GLO B.C.		
50°04'54"W		GLO B.C.		GLO B.C.		
GLO B.C.		26		GLO B.C.		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 Signature of Professional Surveyer William T. Mahake II Certificate Number 8466
GLO B.C.		GLO B.C.		GLO B.C.		

MARALEX RESOURCES, INC.
 TRADING POST 26 #3
 800' FNL & 1800' FWL
 Sec. 26, T25N, R11W, NMPM
 San Juan Co., NM



A-A'	Vert.: 1" = 30'	Horiz.: 1" = 100'	C/L
6540			
6530			
B-B'			
6540			
6530			
C-C'			
6540			
6530			

**TRADING POST 26 # 3
800' FNL; 1800' FWL
SECTION 26-T25N-R11W
SAN JUAN COUNTY, NM**

Drilling Program

1. Formation Tops

The estimated tops of important geologic markers are:

<u>Formation Name</u>	<u>GL Depth</u>	<u>KB Depth</u>
Basal Fruitland Coal	1348'	1358'
Pictured Cliffs	1365'	1375'
Total Depth (TD)	1540'	1550'

* All elevations reflect the ungraded ground level of 6534'.

2. Notable Zones

Oil and Gas Zones

Fruitland Coal	1208'
Pictured Cliffs	1375'

The primary objective is the Basin Fruitland Coal formation. Completion may require fracturing. The entire wellbore will be cased. Water zones will be protected with casing, cement and weighted mud. Oil and gas shows will be tested for commercial potential based on the well site geologist's recommendations.

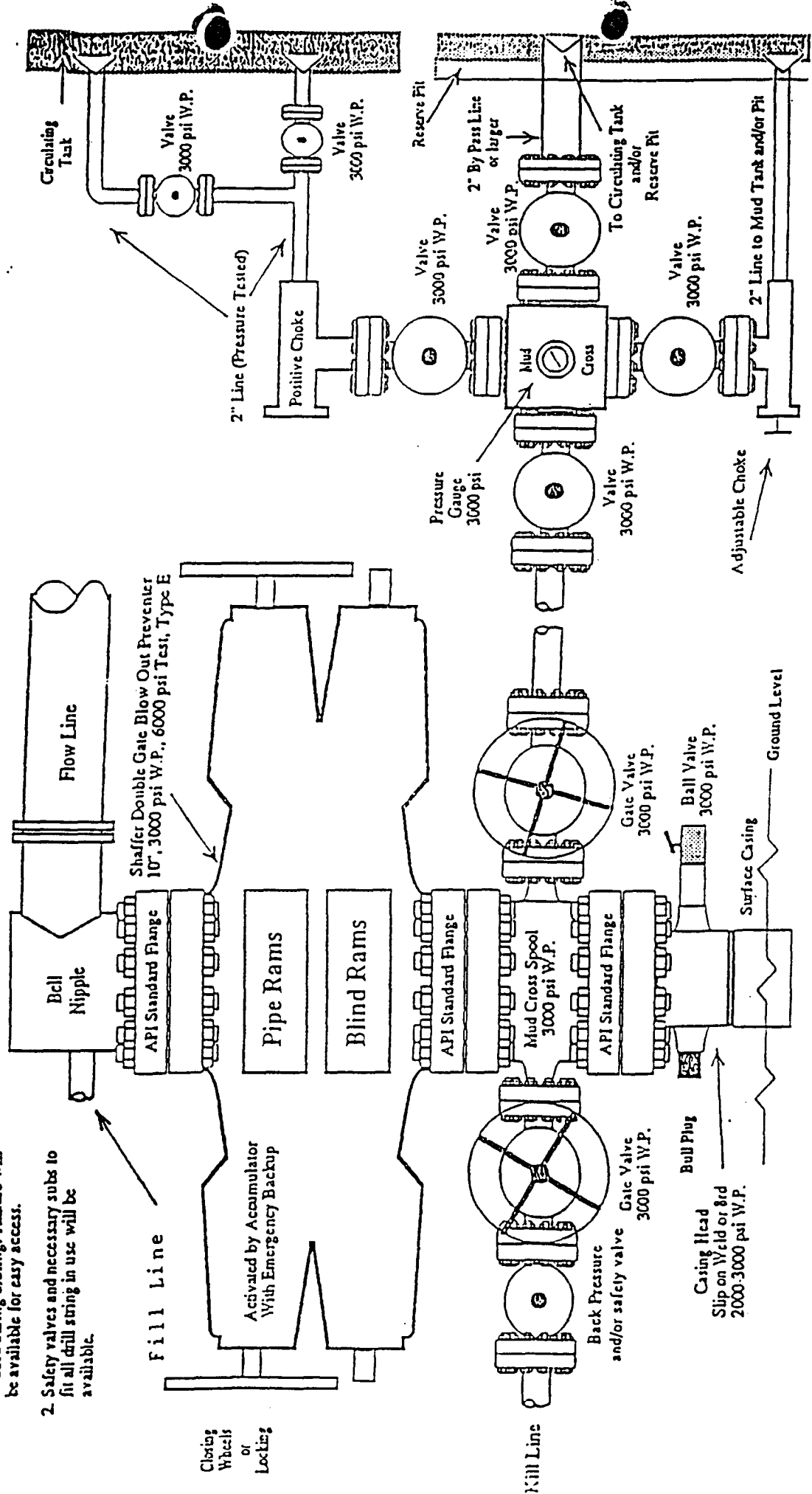
3. Pressure Control

BOP systems will follow Onshore Order No. 2. The drilling contract has not been awarded yet, thus the exact BOP model to be used is not yet known. A typical model is shown on the attached page.

Once out from under the surface casing, a minimum of 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.

- 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.

Pressure Control Equipment



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.

Pressure tests to 1,000 psi will be conducted with a rig pump. All BOP mechanical and pressure tests will be recorded on the driller's log. BOPs 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 and Cement

Hole Size	OD	Weight(lb/ft)	Grade	Depth
12-1/4"	8-5/8"	24	J-55	160'
7-7/8"	5-1/2"	15.5	J-55	1550'

Surface casing will be cemented to surface.
 Production casing will be cemented to surface in one stage.
 The entire wellbore will be cased. Water zones will be protected with casing, cement and weighted mud.

5. Mud Program

The proposed mud program is:

Depth	Type	ppg	vis(cp)	FL(cc)
0-1200'	Fresh Wtr	8.4	Polymer Sweeps	-
1200' - TD	LSND or Polymer	8.4-8.8	20-40	< 10

6. Coring, Testing and Logging

No cores are planned. The following logs are likely to be run:

Dual Induction, Lateral Log, Formation Density, Compensated Neutron, High Resolution Density, Caliper

7. Downhole Conditions

Neither abnormal temperatures nor hydrogen sulfide are anticipated. Maximum pressure will be approximately 300 psi.

MARALEX RESOURCES, INC.
TRADING POST 26-3
CEMENTING PROGRAM

SURFACE CASING

Surface casing will be set at 160 feet. It will be cemented with 110 sacks of Type III cement containing 3% CaCl_2 & $\frac{1}{4}$ lb. Per sack celloflake. This cement has a yield of approximately 1.39 cubic feet per sack and the final slurry will weigh about 14.6 ppg. The calculated volumes equate to an eighty (80) percent excess of the annular volume. A total of three centralizers will be used on the surface casing.

PRODUCTION CASING

The production casing will be run to TD and cemented back to surface with 100 sacks of 65:35 Poxmix cement containing 2% CaCl_2 , 4% Gilsonite and $\frac{1}{4}$ lb per sack celloflake. This cement will be followed by 100 sacks of Type III with 2% CaCl_2 tail. The lead cement has a yield of approximately 2.04 cubic feet per sack and has a slurry weight of 12.1 ppg. The tail slurry has a yield of about 1.39 cubic feet per sack and a slurry weight of 14.6 ppg. The calculated volumes will amount to about a 28 percent excess of the annular volume. A total of 20 centralizers will be used on the production casing.