

Form 3160-3  
(April 2004)

AUG 2006

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

APPLICATION FOR PERMIT TO DRILL OR REENTER

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

5. Lease Serial No.  
**NMSF-0 079964**

6. If Indian, Allottee or Tribe Name  
**N/A**

7. If Unit or CA Agreement, Name and No.  
**N/A**

8. Lease Name and Well No.  
**TRADING POST 35 #1**

9. API Well No.  
**30-045- 33874**

10. Field and Pool, or Exploratory  
**Basin Fruitland Coal Gas**

11. Sec., T. R. M. or Blk. and Survey or Area  
**A 35-25N-11W NMPM**

12. County or Parish  
**SAN JUAN**

13. State  
**NM**

1a. Type of work: ☒ DRILL

☐ REENTER

1b. Type of Well: ☐ Oil Well ☒ Gas Well ☐ Other ☒ Single Zone ☐ Multiple Zone

2. Name of Operator  
**MARALEX RESOURCES, INC.**

3a. Address **P. O. BOX 338  
IGNACIO, CO 81337**

3b. Phone No. (include area code)  
**(970) 563-4000**

4. Location of Well (Report location clearly and in accordance with any State requirements.)\*

At surface **960' FNL & 660' FEL**

At proposed prod. zone **SAME**

14. Distance in miles and direction from nearest town or post office\*  
**25 AIR MILES SSW OF BLOOMFIELD, NM**

15. Distance from proposed\*  
location to nearest  
property or lease line, ft.  
(Also to nearest drig. unit line, if any) **660'**

16. No. of acres in lease  
**400**

17. Spacing Unit dedicated to this well  
**N2 320**

18. Distance from proposed location\*  
to nearest well, drilling, completed,  
applied for, on this lease, ft. **2,560' (35 #2)**

19. Proposed Depth  
**1,700'**

20. BLM/BIA Bond No. on file  
**BLM STATE WIDE NM2726 B188110**

21. Elevations (Show whether DF, KDB, RT, GL, etc.)  
**6,672' GL**

22. Approximate date work will start\*  
**08/20/2006**

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:

1. Well plat certified by a registered surveyor.

2. A Drilling Plan.

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).

4. Bond to cover the operations unless covered by an existing bond on file (see  
Item 20 above).

5. Operator certification

6. Such other site specific information and/or plans as may be required by the  
authorized officer.

25. Signature

Name (Printed/Typed)

Date

**BRIAN WOOD**

**07/27/2006**

Title

**CONSULTANT**

PHONE: (505) 466-8120

FAX: (505) 466-9682

Approved by (Signature)

Name (Printed/Typed)

Date

Title

Office

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)

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

NMOCD

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  
1000 Rio Brazos 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

Form C-102  
Revised June 10, 2003  
Submit to Appropriate District Office  
State Lease - 4 Copies  
Fee Lease - 3 Copies

☐ AMENDED REPORT

**WELL LOCATION AND ACREAGE DEDICATION PLAT**

API Number <b>30-045-33874</b>		Pool Code <b>71629</b>	Pool Name <b>BASIN FRUITLAND COAL GAS</b>
Property Code <b>33853</b>	Property Name <b>TRADING POST 35</b>		Well Number <b>1</b>
OGRID No. <b>013998</b>	Operator Name <b>MARALEX RESOURCES, INC.</b>		Elevation <b>6672</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
A	35	25N	11W		960	North	660	East	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
Dedicated Acres <b>320</b>		Joint or Infill <b>.</b>		Consolidation Code <b>C</b>		Order No. <b>.</b>			

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

<p>16</p> <p>WEST</p> <p>80.01 CH.</p> <p>960'</p> <p>660'</p> <p>79.08 CH.</p> <p>79.11 CH.</p> <p>35</p> <p>SEC.</p> <p>NO 09'E</p> <p>79.90 CH.</p> <p>N 89° 56' E</p>	<p>17 OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p>Signature: <i>Brian Wood</i></p> <p>Printed Name: <b>BRIAN WOOD</b></p> <p>Title and E-mail Address: <b>brian@permitswest.com</b></p> <p>Date: <b>JULY 27, 2006</b></p>
	<p>18 SURVEYOR CERTIFICATION</p> <p>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 knowledge and belief.</p> <p>Date of Survey: <b>30 JUL 2006</b></p> <p>Signature and Seal of Professional Surveyor: <i>William E. Mahake II</i></p> <p>Willard E. Mahake II Certificate Number <b>8466</b></p>

NOTE: BEARINGS AND DISTANCES FROM GLO PLAT

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Submit 3 Copies To Appropriate District Office  
District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Ave., Artesia, NM 88210  
District III  
1000 Rio Brazos Rd., Aztec, NM 87410  
District IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico  
Energy, Minerals and Natural Resources

Form C-103  
May 27, 2004

OIL CONSERVATION DIVISION  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

WELL API NO. 30-045- <u>33874</u>
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. NMSF-0 079964
7. Lease Name or Unit Agreement Name TRADING POST 35
8. Well Number #1
9. OGRID Number 013998
10. Pool name or Wildcat BASIN FRUITLAND COAL GAS

SUNDRY NOTICES AND REPORTS ON WELLS (DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)	
1. Type of Well: Oil Well <input type="checkbox"/> Gas Well <input checked="" type="checkbox"/> Other	
2. Name of Operator MARALEX RESOURCES, INC.	
3. Address of Operator P. O. BOX 338, IGNACIO, CO 81337	
4. Well Location Unit Letter: A                      960' FNL & 660' FEL Section 35                      Township 25 N      Range 11 W      NMPM      SAN JUAN      County	
11. Elevation (Show whether DR, RKB, RT, GR, etc.) 6,672' GL	
Pit or Below-grade Tank Application <input checked="" type="checkbox"/> or Closure <input type="checkbox"/>	
Pit type: <u>DRILLING</u> Depth to Groundwater: <u>&gt;50'</u> Distance from nearest fresh water well: <u>&gt;5,000'</u> Distance from nearest surface water: <u>&gt;10'</u>	
Pit Liner Thickness:      12 mil      Below-Grade Tank: Volume      bbls;      Construction Material	

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:		SUBSEQUENT REPORT OF:	
PERFORM REMEDIAL WORK <input type="checkbox"/>	PLUG AND ABANDON <input type="checkbox"/>	REMEDIAL WORK <input type="checkbox"/>	ALTERING CASING <input type="checkbox"/>
TEMPORARILY ABANDON <input type="checkbox"/>	CHANGE PLANS <input type="checkbox"/>	COMMENCE DRILLING OPNS. <input type="checkbox"/>	P AND A <input type="checkbox"/>
PULL OR ALTER CASING <input type="checkbox"/>	MULTIPLE COMPL <input type="checkbox"/>	CASING/CEMENT JOB <input type="checkbox"/>	
OTHER: DRILLING PIT <input checked="" type="checkbox"/>		OTHER: <input type="checkbox"/>	

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒ a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

SIGNATURE Brian Wood TITLE: CONSULTANT

DATE: JULY 27, 2006

Type or print name: BRIAN WOOD

E-mail address: brian@permitswest.com

Telephone No.: (505) 466-8120

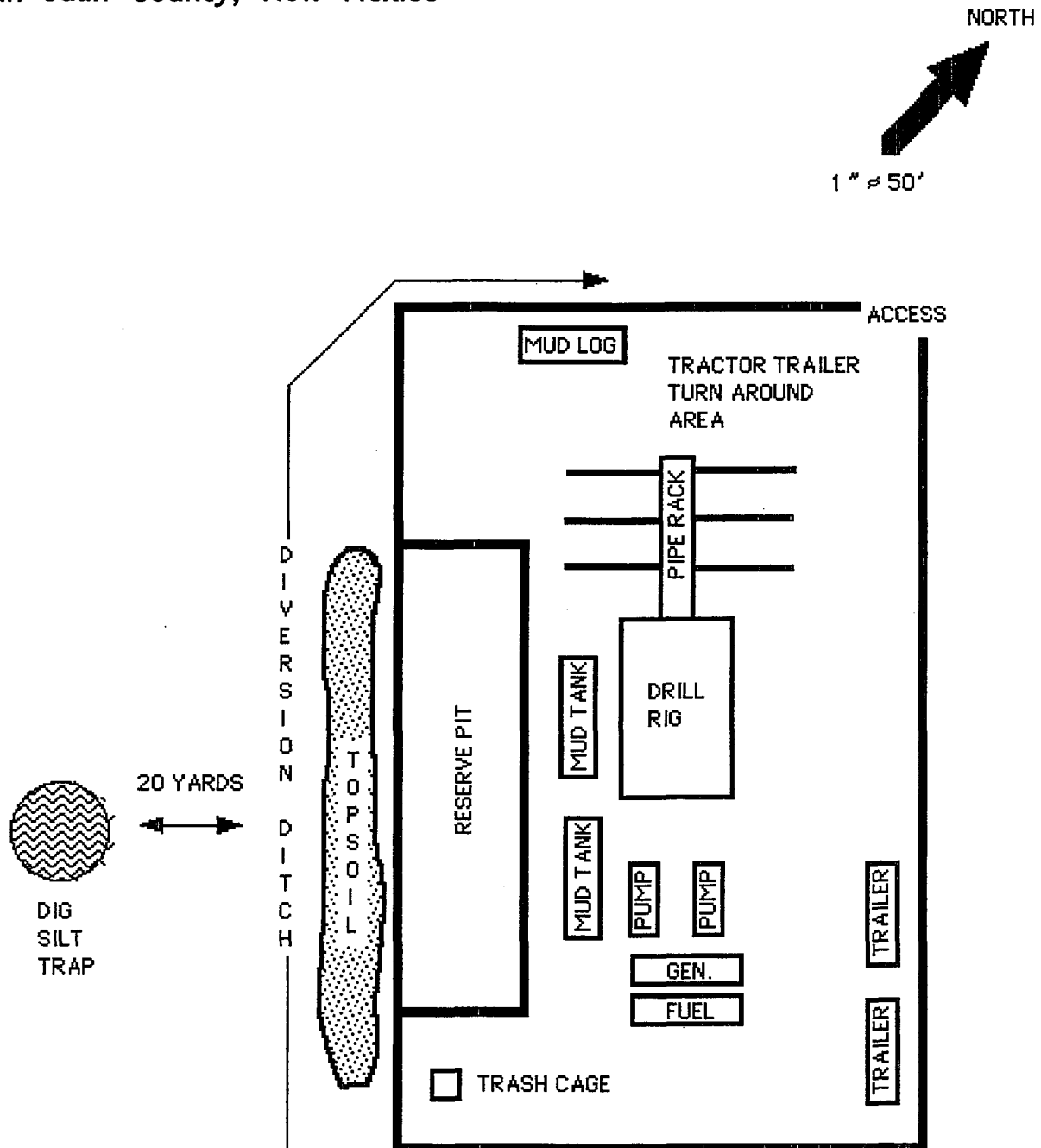
For State Use Only

APPROVED BY: [Signature] TITLE: DEPUTY OIL & GAS INSPECTOR, DIST. IV DATE: AUG 17 2006

Conditions of Approval (if any): Vulnerable area based on proximity to surface water. No sub-grade pits.

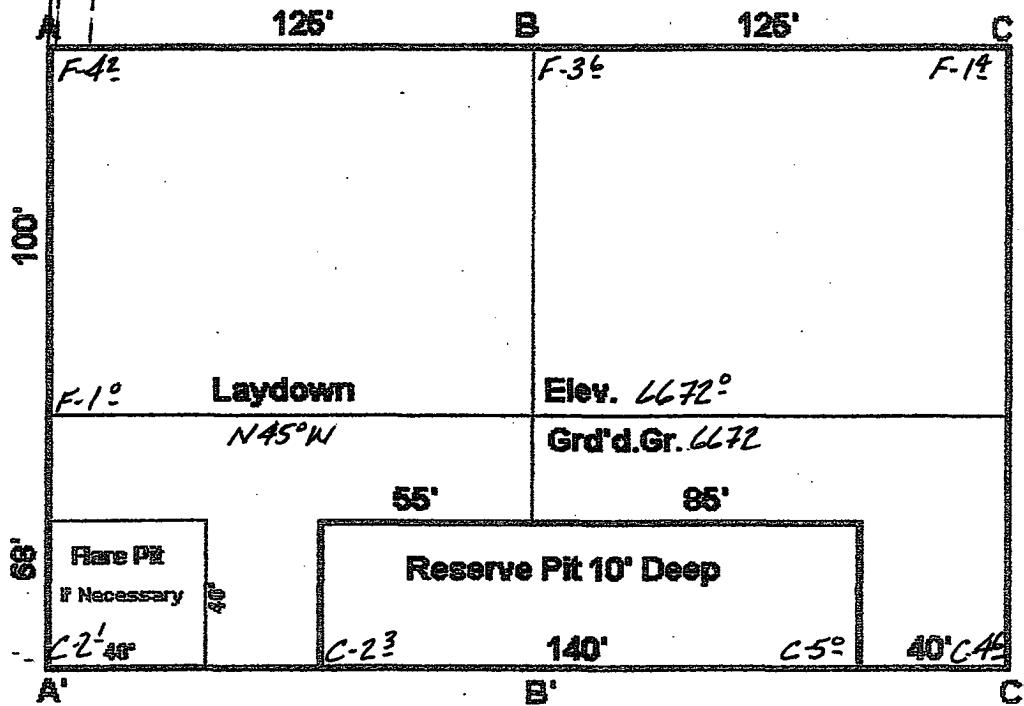
Maralex Resources, Inc.  
Trading Post 35 #1  
960' FNL & 660' FEL  
Sec. 35, T. 25 N., R. 11 W.  
San Juan County, New Mexico

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Q PROP.  
PIPELINE-

PROPOSED  
ACCESS ROAD



**SCALE : 1"=50'**

[illegible][illegible][illegible]

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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'	+6,672'
Fruitland Coal	1,372'	1,377'	+5,300'
Pictured Cliffs	1,422'	1,427'	+5,250'
Lewis Shale	1,572'	1,577'	+5,100'
Total Depth (TD)	1,700'	1,705'	+4,972'

### 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.

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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. 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	1,700'

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.

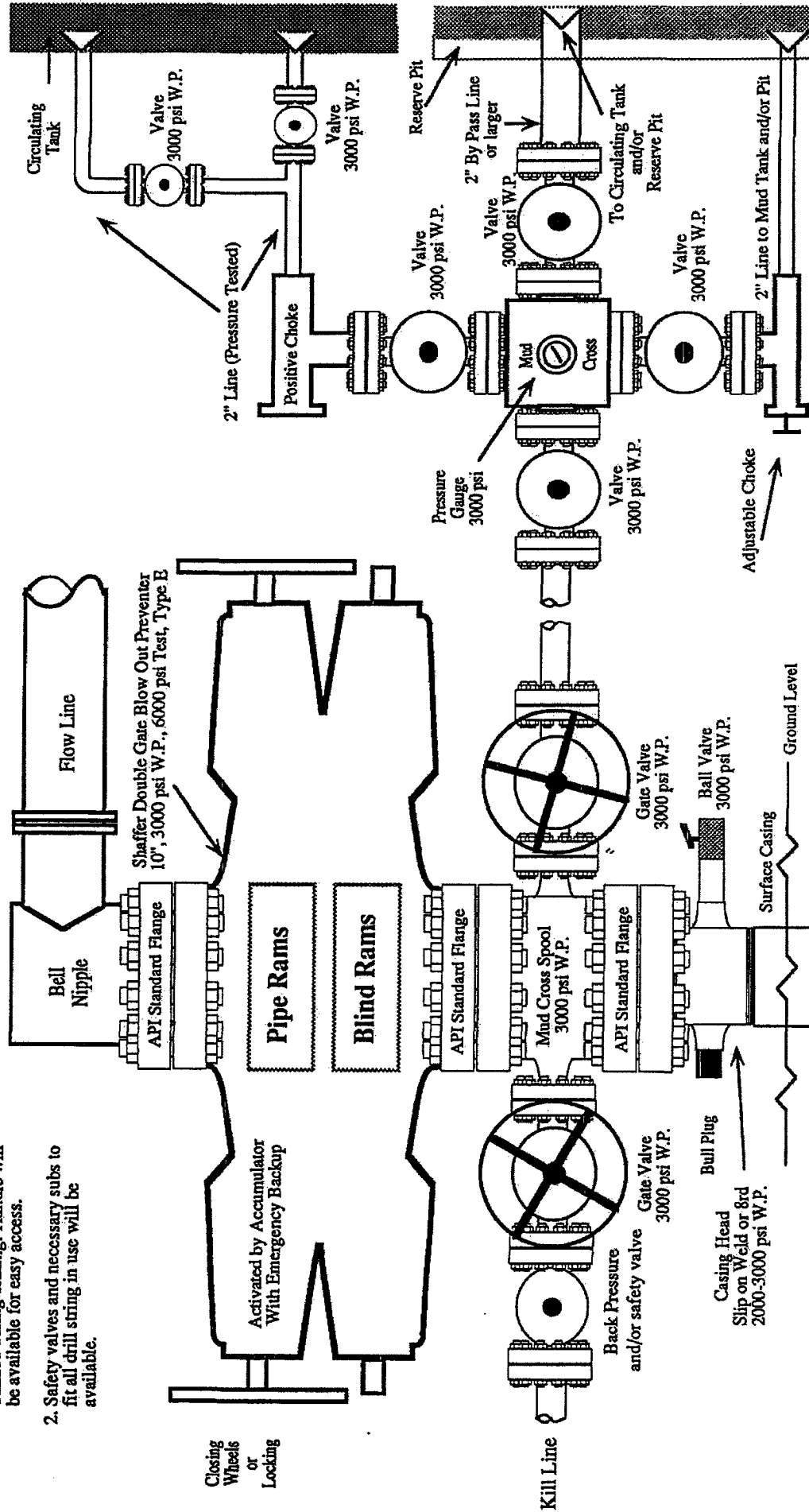
Production casing will be cemented to the surface with  $\approx 25\%$  annular excess. Cement with  $\approx 150$  sacks Class B with 6% gel + 5 pounds per sack gilsonite + 1/4 pound per sack cellophane + 2%  $\text{CaCl}_2$ . Follow with  $\approx 80$  sacks Class B with 0.4% Halad 344 + 5 pounds per 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 18 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.



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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  $\leq 360$  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.