

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

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

APPLICATION FOR PERMIT TO DRILL OR REENTER

5 Lease Serial No
NMNM-033034
6 If Indian, Allottee or Tribe Name
N/A

1a. Type of work ☒ DRILL ☐ REENTER

RECEIVED
OTO FARMINGTON

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

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

2 Name of Operator
MARALEX RESOURCES, INC.

8 Lease Name and Well No.
GASS 3-T

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

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

9 API Well No.
30-045-34046

10 Field and Pool, or Exploratory
BASIN FRUITLAND COAL GAS

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

At surface 2528' FSL & 698' FEL

At proposed prod. zone SAME

11 Sec, T R. M. or Blk and Survey or Area

I 8-27N-13W NMPM

14 Distance in miles and direction from nearest town or post office*
8 AIR MILES S OF FARMINGTON, NM

12 County or Parish
SAN JUAN

13 State
NM

15 Distance from proposed*
location to nearest
property or lease line, ft
(Also to nearest drig. unit line, if any) 890'

16 No. of acres in lease
320

17 Spacing Unit dedicated to this well
E2 320

18 Distance from proposed location*
to nearest well, drilling, completed,
applied for, on this lease, ft 1,243'

19 Proposed Depth
1,600'

20 BLM/BIA Bond No. on file 2880
BLM STATE WIDE NM 2726 B188110

21 Elevations (Show whether DF, KDB, RT, GL, etc.)
5,949' GL

22 Approximate date work will start*
02/15/2007

23 Estimated duration
2 WEEKS

24. Attachments

RCVD OCT 30 '07

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.

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.

DIST. 3

25. Signature

Brian Wood

Name (Printed/Typed)

BRIAN WOOD

Date

10/26/2006

Title

CONSULTANT

PHONE: (505) 466-8120

FAX: (505) 466-9682

Approved by (Signature)

D. Manley

Name (Printed/Typed)

Date

10/29/07

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

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".

MMOCD
8

NOV 05 2007
AV

District I
1625 N. French Dr., Hobbs, NM 88249
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

070 FARMINGTON NM

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-045-34046	Pool Code 71629	Pool Name BASIN FRUITLAND COAL GAS
Property Code 301619	Property Name GASS	Well Number 3-T
OGRID No. 013998	Operator Name MARALEX RESOURCES, INC.	Elevation 5949

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
I	8	27N	13W		2528	South	698	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 320	Joint or Infill	Consolidation Code	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° 59' W	80.06 ch.	17	OPERATOR CERTIFICATION	
				I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.	
				Signature Brian Wood Printed Name BRIAN WOOD Title and E-mail Address brian@permitswest.com Date OCT. 26, 2006	
80 ch.			80 ch.	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 18 July 2006 Signature and Seal of Professional Surveyor William E. Mahnke II Certificate Number 8466	
N 0° 3' W	Sec. LAT. 36.58925° N	LONG. 108.23578° W			
	8	698'			
		2528'			
	S 89° 58' W	80.04 ch.			

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>34046</u>
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. NMNM-033034
7. Lease Name or Unit Agreement Name GASS
8. Well Number 3-T
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 type="checkbox"/> Other <input type="checkbox"/>
2. Name of Operator MARALEX RESOURCES, INC.
3. Address of Operator P. O. BOX 338, IGNACIO, CO 81337
4. Well Location Unit Letter: I 2528' FSL & 698' FEL Section 8 Township 27 N Range 13 W NMPM SAN JUAN County
11. Elevation (Show whether DR, RKB, RT, GR, etc) 5,949' GL
Pit or Below-grade Tank Application <input type="checkbox"/> or Closure <input type="checkbox"/>
Pit type: <u>DRILLING</u> Depth to Groundwater: <u>>50'</u> Distance from nearest fresh water well: <u>>1,500'</u> Distance from nearest surface water: <u><100'</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 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: OCT. 26, 2006

Type or print name: BRIAN WOOD

E-mail address: brian@permitswest.com

Telephone No.: (505) 466-8120

For State Use Only

Deputy Oil & Gas Inspector,
District #3

APPROVED BY: [Signature] TITLE

DATE NOV 05 2007

Conditions of Approval (if any):

Drilling pits must be closed in compliance w/ NMOCD Rule 50. F.1 for vulnerable areas.

Maralex Resources, Inc.
Gass 3-T
2528' FSL & 698' FEL
Sec. 8, T. 27 N., R. 13 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>
Ojo Alamo	0'	5'	+5,949'
Kirtland Shale	174'	179'	+5,775'
Fruitland Coal	1,299'	1,304'	+4,650'
Pictured Cliffs	1,349'	1,354'	+4,600'
Lewis Shale	1,474'	1,479'	+4,475'
Total Depth (TD)	1,600'	1,605'	+4,349'

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.
Gass 3-T
2528' FSL & 698' FEL
Sec. 8, T. 27 N., R. 13 W.
San Juan County, New Mexico

PAGE 2

Will use rig pump to pressure test to 1,000 psi. 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	1,600'

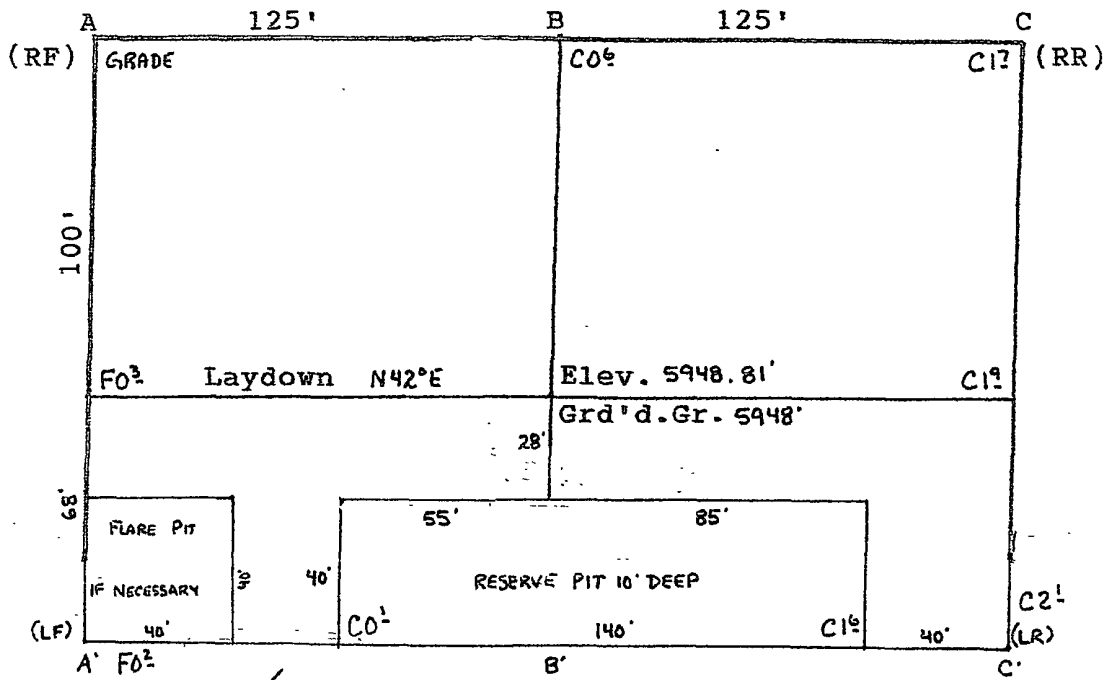
Surface casing will be cemented to the surface with ≈ 135 cubic feet (≈ 115 sacks) standard cement with 1/4 pound per sack cellophane + 2% CaCl_2 . Yield = 1.18 cubic feet per sack. Weight = 15.6 pounds per gallon. Volume = 25% annular excess. Three centralizers will be installed.

Production casing will be cemented to the surface with $\approx 25\%$ annular excess. Cement with ≈ 145 sacks Class B with 6% gel + 5 pounds per sack gilsonite + 1/4 pound per sack cellophane + 2% CaCl_2 . Follow with ≈ 75 sacks 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' - 1,000'	Fresh Water	8.4	Polymer Sweeps	-
1,000' - TD	LSND	8.4 - 9.1	30 - 60	<10 cc

MARALEX RESOURCES, INC.
 GASS #3-T
 2528' FSL & 698' FEL
 Sec. 8, T27N, R13W, NMPM
 San Juan Co., NM



N

A-A'	Vert.: 1" = 30'	Horiz.: 1" = 50'	C/L
5950'			
5940'			

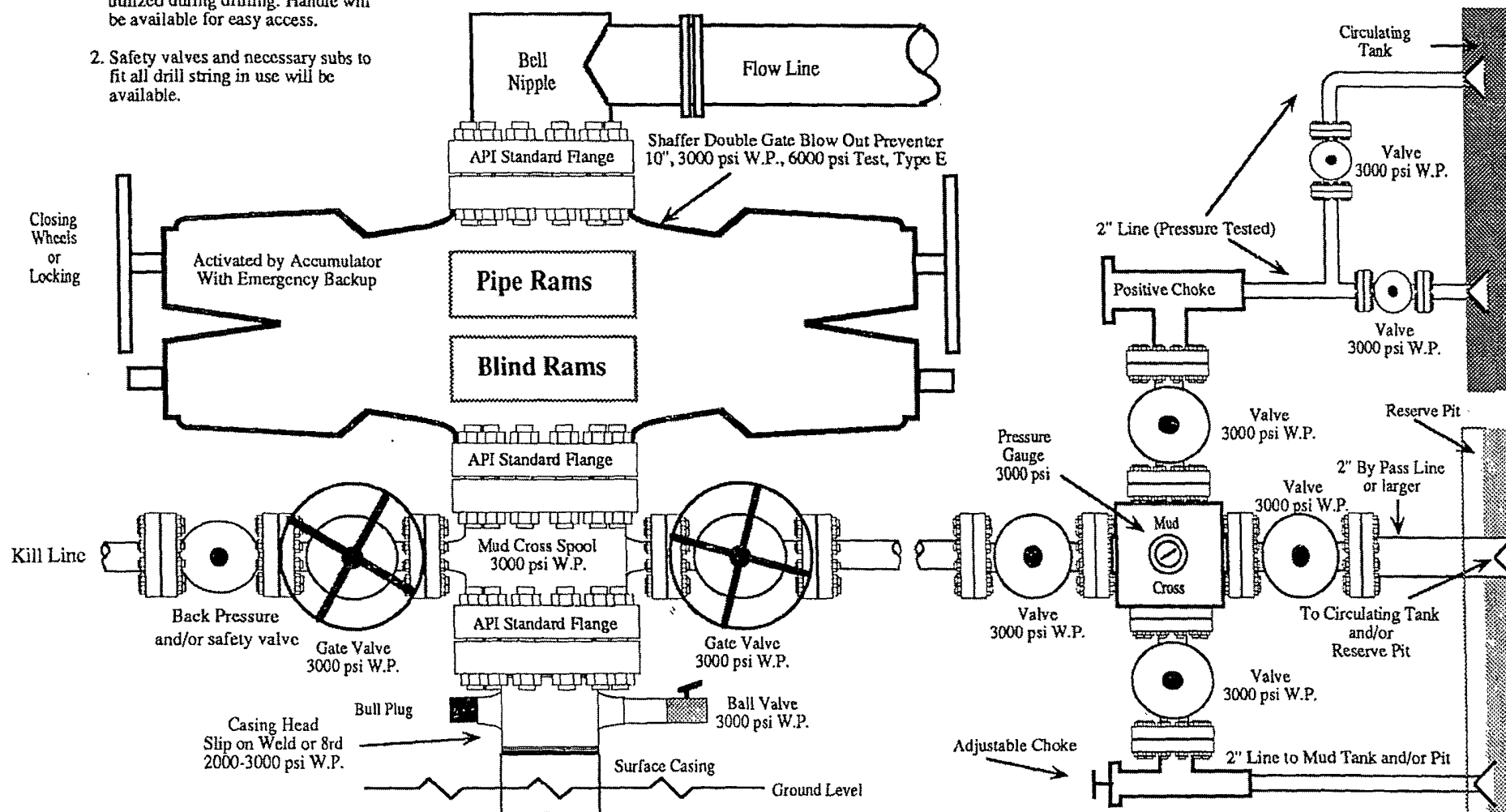
B-B'
5950'
5940'

C-C'
5950'
5940'

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.