

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

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SEP 05 2007

APPLICATION FOR PERMIT TO DRILL OR REENTER

Bureau of Land Management

Farmington Field Office

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		N/A If Indian, Allottee or Tribe Name	
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		8. Lease Name and Well No. <b>NMN 163037</b>	
2. Name of Operator <b>MARALEX RESOURCES, INC.</b>		9. API Well No. <b>30-045-34418</b>	
3a. Address <b>P. O. BOX 338 IGNACIO, CO 81337</b>	3b. Phone No. (include area code) <b>(970) 563-4000</b>	10. Field and Pool, or Exploratory <b>BASIN FRUITLAND COAL GAS</b>	
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface <b>1389' FSL &amp; 1126' FEL</b> At proposed prod. zone <b>SAME</b>		11. Sec., T. R. M. or Blk. and Survey or Area <b>I 26-25N-11W NMPM</b>	
14. Distance in miles and direction from nearest town or post office* <b>24 AIR MILES SSW OF BLOOMFIELD, NM</b>		12. County or Parish <b>SAN JUAN</b>	13. State <b>NM</b>
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) <b>1,126'</b>	16. No. of acres in lease <b>400</b>	17. Spacing Unit dedicated to this well <b>E2 (= 320 acres)</b>	
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. <b>294' (2A)</b>	19. Proposed Depth <b>1,600'</b>	20. BLM/BIA Bond No. on file <b>BLM STATE WIDE NM2726 B188110</b>	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) <b>6,625' GL</b>	22. Approximate date work will start* <b>10/01/2007</b>	23. Estimated duration <b>2 WEEKS</b>	

24. Attachments

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

- 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.

25. Signature 	Name (Printed/Typed) <b>BRIAN WOOD</b>	Date <b>09/03/2007</b>
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Title **CONSULTANT** PHONE: (505) 466-8120 FAX: (505) 466-9682

Approved by (Signature) 	Name (Printed/Typed)	Date <b>11/28/07</b>
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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)

HOLD C104 FOR For Change in status to the #2A

Obtain a pit permit from NMOCD  
prior to constructing location

NOTIFY AZTEC OCD 24 HRS.  
PRIOR TO CASING & CEMENT

NMOCD

DEC 13 2007

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

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
1301 W. Grand Avenue, Artesia, NM 88210  
District III  
1080 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

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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

<sup>1</sup> API Number 30-045-34418	<sup>2</sup> Pool Code 71629	<sup>3</sup> Pool Name BASIN FRUITLAND COAL GAS
<sup>4</sup> Property Code 25469	<sup>5</sup> Property Name TRADING POST 26	<sup>6</sup> Well Number 24(R)
<sup>7</sup> GRID No. 013998	<sup>8</sup> Operator Name MARALEX RESOURCES, INC.	<sup>9</sup> Elevation 6625

<sup>10</sup> Surface Location

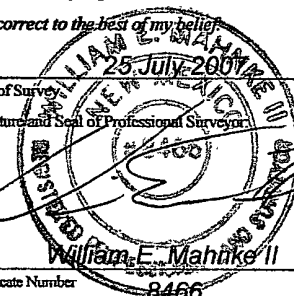
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	26	25N	11W		1389	South	1126	East	San Juan

<sup>11</sup> 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

<sup>12</sup> Dedicated Acres 320	<sup>13</sup> Joint or Infill	<sup>14</sup> Consolidation Code C	<sup>15</sup> 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 N 0°08' E 40.34 Ch. N 0°08' E 39.94 Ch.	N 89°55' W 39.88 Ch.	West 39.94 Ch.	80.08 Ch. N 0°05' E 1126' 1389'	<sup>17</sup> <b>OPERATOR CERTIFICATION</b> 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 a working interest or undivided mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division. SEPT. 3, 2007 Signature <u>Brian Wood</u> Date Printed Name <b>BRIAN WOOD</b>
	Sec.	26 Lat. 36.36856° N Long. 107.96839° W		<sup>18</sup> <b>SURVEYOR CERTIFICATION</b> 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 <u>25 July 2007</u> Signature and Seal of Professional Surveyor  Certificate Number <u>8466</u>

Maralex Resources, Inc.  
Trading Post 26 2AR  
1389' FSL & 1126' FEL  
Sec. 26, T. 25 N., R. 11 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'	+6,625'
Fruitland Coal	1,390'	1,395'	+5,235'
Pictured Cliffs	1,412'	1,417'	+5,213'
Lewis Shale	1,495'	1,500'	+5,130'
Total Depth (TD)	1,600'	1,605'	+5,025'

### 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.

Maralex Resources, Inc.  
Trading Post 26 2AR  
1389' FSL & 1126' FEL  
Sec. 26, T. 25 N., R. 11 W.  
San Juan County, New Mexico

PAGE 2

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	1,600'

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  $\approx 145$  sacks ( $\approx 272$  cubic feet) Class B with 6% gel + 5 pounds per sack gilsonite + 1/4 pound per sack cellophane + 2%  $\text{CaCl}_2$ . Follow with  $\approx 75$  sacks ( $\approx 95$  cubic feet) 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 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

Maralex Resources, Inc.  
Trading Post 26 2AR  
1389' FSL & 1126' FEL  
Sec. 26, T. 25 N., R. 11 W.  
San Juan County, New Mexico

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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

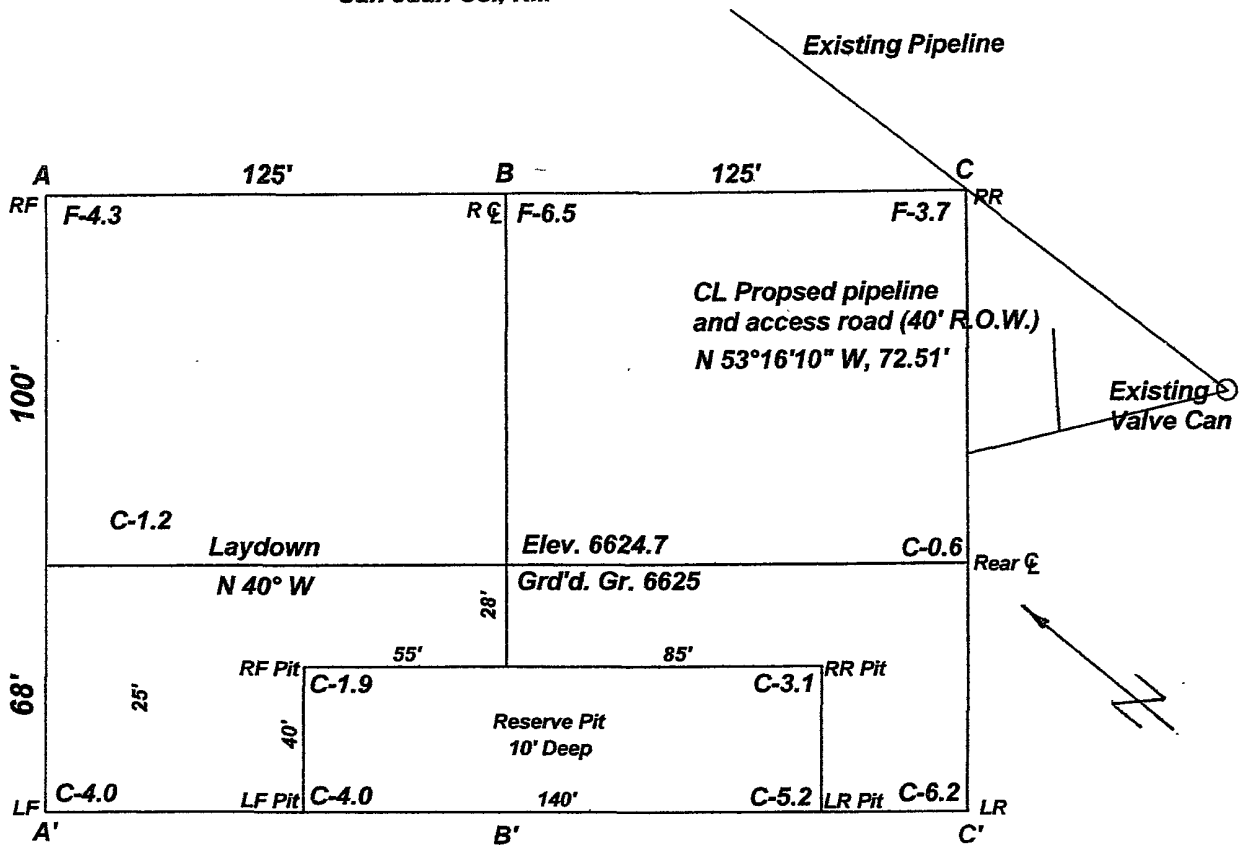
No abnormal pressures, temperatures, nor hydrogen sulfide are expected. Maximum expected bottom hole pressure will be  $\leq 640$  psi.

#### 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.

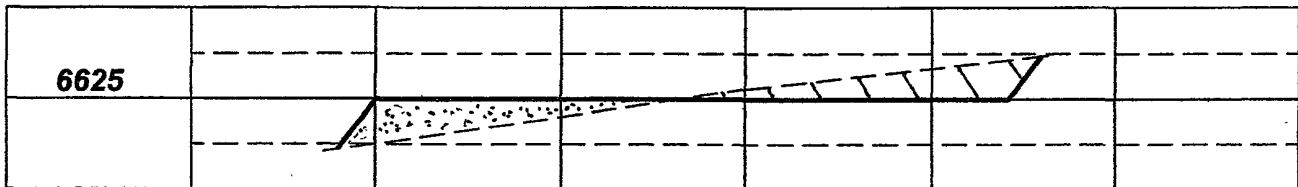
The existing 26 2A will be plugged and abandoned before the 26 2AR produces.

MARALEX RESOURCES, INC.  
 TRADING POST 26 #2A(R)  
 1389' FSL & 1126' FEL  
 Sec.26, T25N, R11W, NMPM  
 San Juan Co., NM

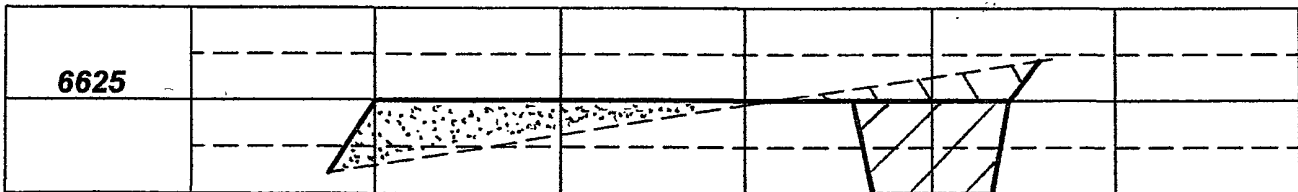


Scale: 1"=50'

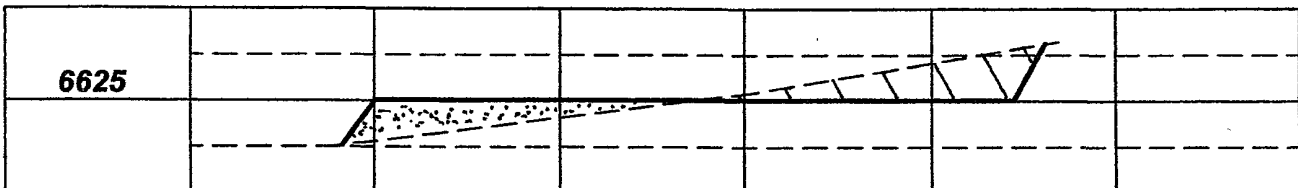
A-A' Vert.:1"=20' Horiz.:1"=50' C/L



B-B'

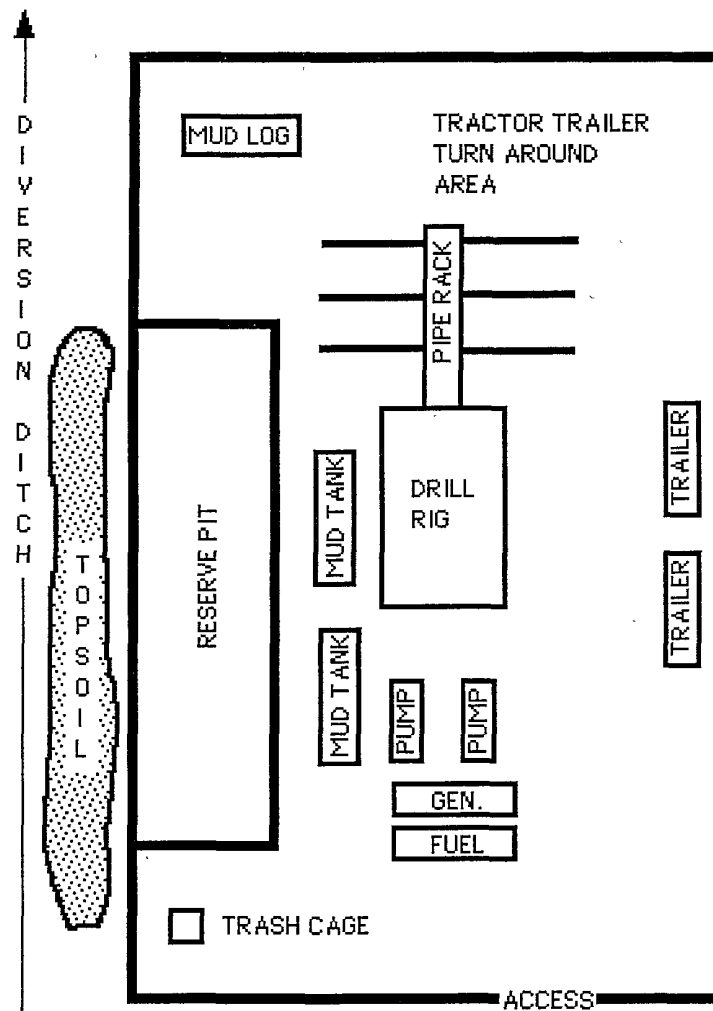
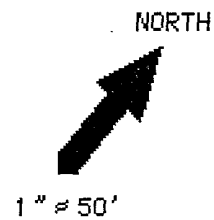


C-C'



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San Juan County, New Mexico

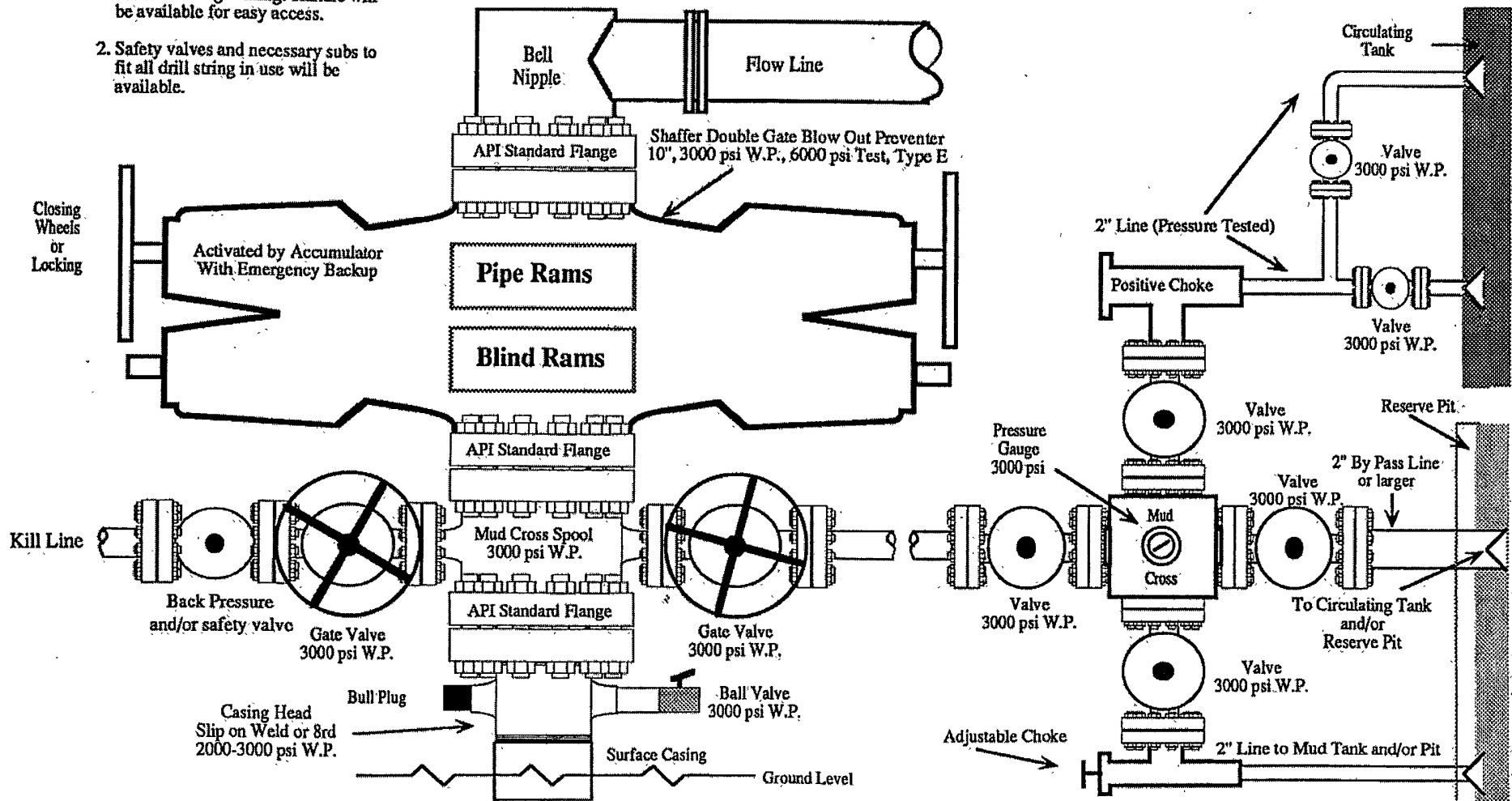
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# 2,000 PSI BOP SYSTEM

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.