MARALEX
Resources, Inc.

30-045-27500

621 17th Street, Suite 1125
Denver, Colorado 80293
(303) 292-5636
FAX (303) 292-5382

P.O. Box 338
Ignacio, Colorado 81137
(970) 563-4000
FAX (970) 563-4116

July 3, 1997

Mr. Steve Mason
United States Department of the Interior
Bureau of Land Management
Farmington District Office
1235 La Plata Highway
Farmington, N. M. 87401

Re: West Bisti 26-13-17 #1 F-17-26-13W

Dear Mr. Mason:

This letter is to provide an update as to the results of the 60 day production test that has recently been concluded on our West Bisti 26-13-17 #1 well. At the direction of the BLM the well was completed and production tested for 60 days to show the economic viability of this well and project. A summary of the completion and production information is outlined below:

April 11, 1997	Fractured Stimulated Basin Fruitland Coals w/ 62,000 lbs. 20-40 sand.
April 17, 1997	Rig up completion rig and cleanout well.
April 21, 1997	Set production equipment to initiate de-watering of coals.
April 26, 1997	Begin production. Well producing at an initial rate of 60 BWPD with insufficient gas to run production equipment (using bottled gas).
April 30, 1997	Well producing at a rate of 40 BWPD with gas rate of 5 MCFD.
May 10, 1997	36 BWPD, 6 MCFD
May 19, 1997	30 BWPD, 9 MCFD (switch to wellhead gas)
May 30, 1997	40 BWPD, 16 MCFD

June 10, 1997	30 BWPD, 21 MCFD
June 20, 1997	25 BWPD, 30 MCFD
June 26, 1997	25 BWPD, 33 MCFD

During the production testing the well was equipped with a hydraulic jet unit to lift the water. The unit has proven to be quite effective at initially dewatering coal wells. It however does require considerably more fuel gas to operate than a more conventional rod pump unit. During the testing period the fuel usage on the unit averages 20 MCFD. The fuel usage numbers are not reflected in the above gas rates. We find good success in initially using the jet pump to clean up the coal wells after a fracture stimulation. After a several month cleanup we historically have converted back to a rod pump for the remainder of the dewatering period. The West Bisti 17 #1, produced with a rod pump, would now be capable of producing approximately 50 MCFD.

Included as an attachment is the production data obtained on the 17 #1. I've also included several of the offset wells showing the historical incline of the gas rates, as the wells are dewatered. There is no doubt in our mind, that not only the 17 #1, but the remaining uncompleted wells in the West Bisti Program are economically viable. With the simultaneous dewatering of the remaining 320 acre Fruitland offsets, the gas incline rate of the wells in this program will be further enhanced.

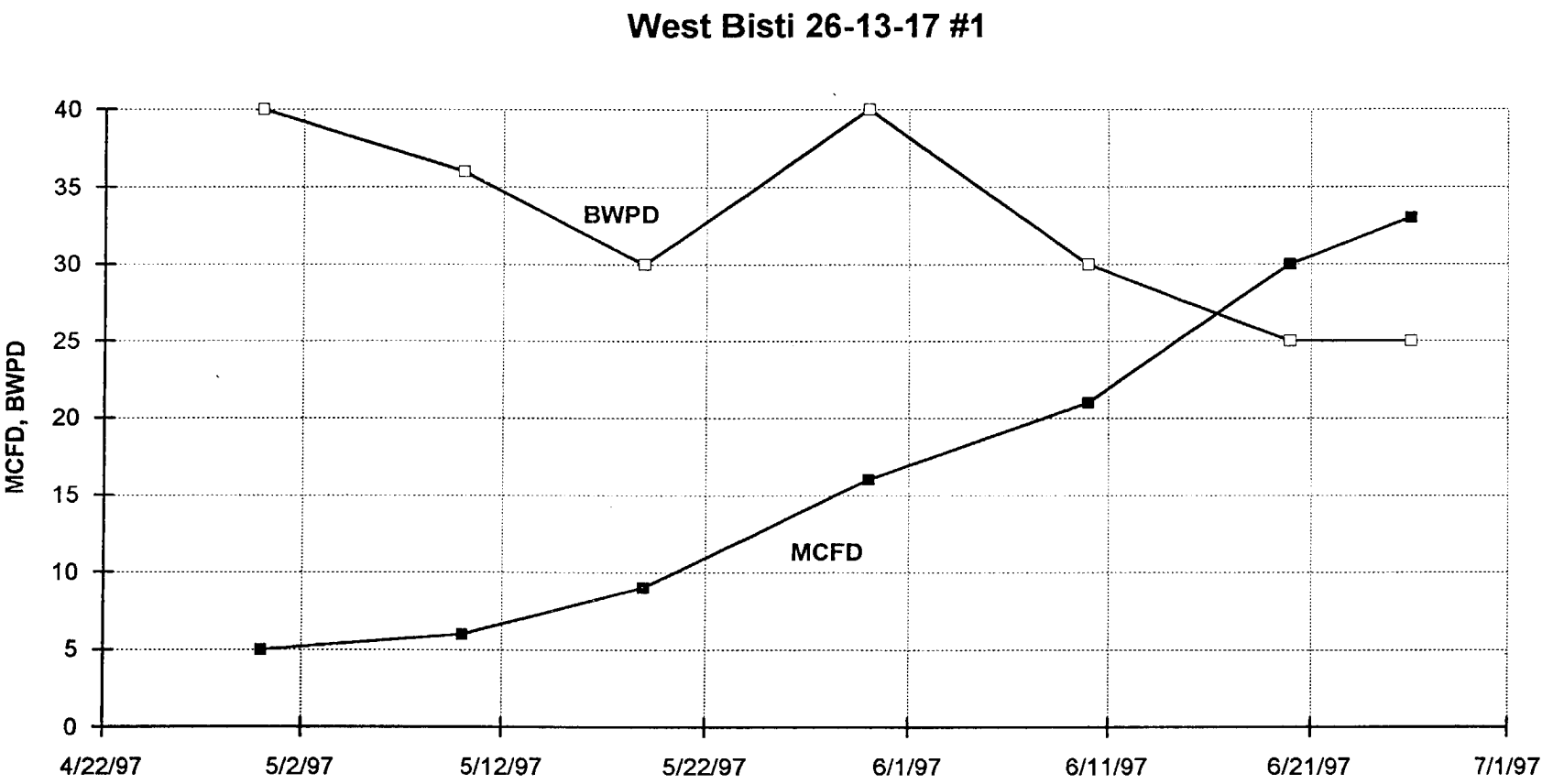
Progress is being made in obtaining right-of-way approval with the Navajo Nation. As was previously reported, representatives from both Maralex and SG Interests met with Akhtar Zaman on May 20, 1997. A recommendation made by the Tribe was agreed to in principle. The process of obtaining the various Tribal agencies approval is currently being pursued. We are hopeful that right-of-way approval should be obtained in a matter of months. Construction of the required pipelines would only take several weeks after obtaining the permits.

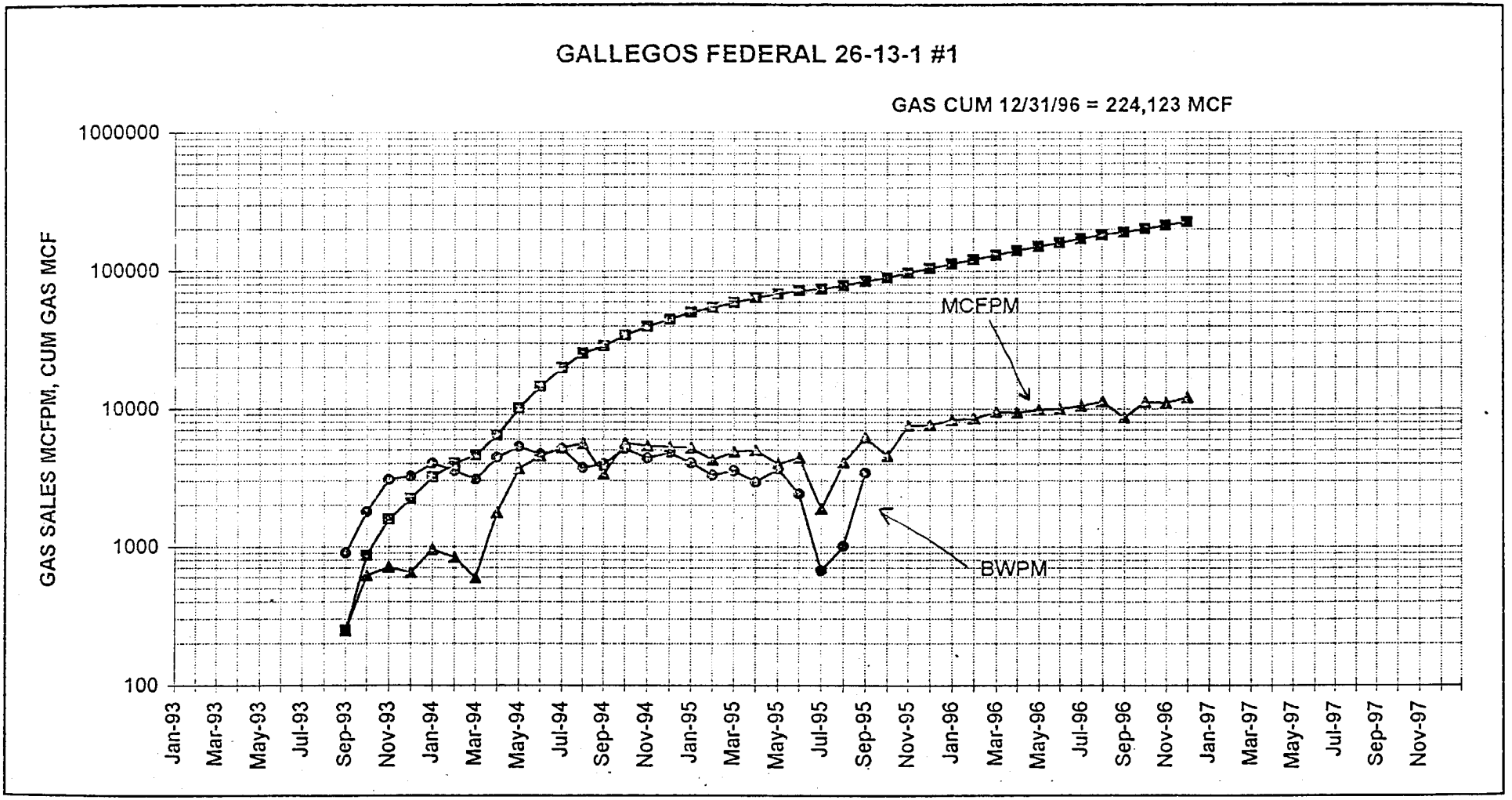
Steve if you have questions concerning the testing of this well, please call. Based on the positive results obtained from the production testing, and the verbal agreement we have secured with the Tribe, we request that an extension of the inactive status of the wells in this program be granted. Thanks for your cooperation with this program.

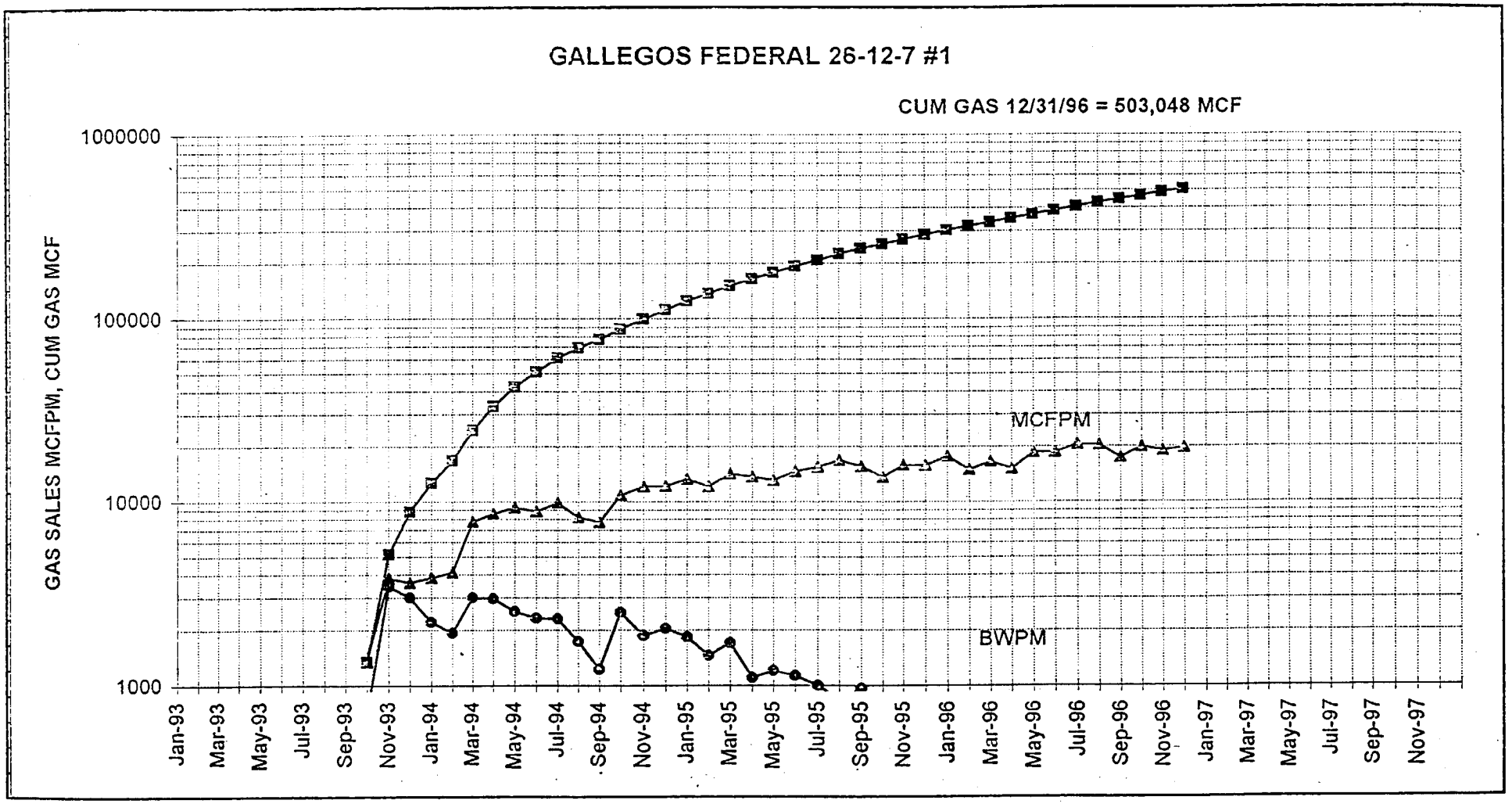
Sincerely,

Dennis R. Reimers
Engineering Manager

Attachments


West Bisti 26-13-17 #1
MCFD, BWPD
40
35
30
25
20
15
10
5
0
BWPD
MCFD
4/22/97
5/2/97
5/12/97
5/22/97
6/1/97
6/11/97
6/21/97
7/1/97


GALLEGOS FEDERAL 26-13-1 #1
GAS CUM 12/31/96 = 224,123 MCF
GAS SALES MCFPM, CUM GAS MCF
1000000
100000
10000
1000
100
MCFPM
BWPM
Jan-93
Mar-93
May-93
Jul-93
Sep-93
Nov-93
Jan-94
Mar-94
May-94
Jul-94
Sep-94
Nov-94
Jan-95
Mar-95
May-95
Jul-95
Sep-95
Nov-95
Jan-96
Mar-96
May-96
Jul-96
Sep-96
Nov-96
Jan-97
Mar-97
May-97
Jul-97
Sep-97
Nov-97


GALLEGOS FEDERAL 26-12-7 #1
CUM GAS 12/31/96 = 503,048 MCF
GAS SALES MCFPM, CUM GAS MCF
1000000
100000
10000
1000
MCFPM
BWPM
Jan-93
Mar-93
May-93
Jul-93
Sep-93
Nov-93
Jan-94
Mar-94
May-94
Jul-94
Sep-94
Nov-94
Jan-95
Mar-95
May-95
Jul-95
Sep-95
Nov-95
Jan-96
Mar-96
May-96
Jul-96
Sep-96
Nov-96
Jan-97
Mar-97
May-97
Jul-97
Sep-97
Nov-97

Form 3160-4
(November 1983)
(formerly 9-330)

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

SUBMIT IN DUPLICATE* (See other instructions on reverse side)

Form approved.
Budget Bureau No. 1004-0137
Expires August 31, 1985

WELL COMPLETION OR RECOMPLETION REPORT AND LOG*

5. LEASE DESIGNATION AND SERIAL NO.: NMNM 36590

6. IF INDIAN, ALLOTTEE OR TRIBE NAME:

7. UNIT AGREEMENT NAME:

1a. TYPE OF WELL: OIL WELL ☐ GAS WELL ☒ DRY ☐ Other

b. TYPE OF COMPLETION: NEW WELL ☒ WORK OVER ☐ DEEP-EN ☐ PLUG BACK ☐ DIFF. RESVR. ☐ Other

8. FARM OR LEASE NAME: West Bisti 26-13-17

2. NAME OF OPERATOR: SG Interest

9. WELL NO.: # 1

3. ADDRESS OF OPERATOR: P.O. Box 338, Ignacio, CO 81137 Phone: 970/563-4000

10. FIELD AND POOL, OR WILDCAT: Basin Fruitland Coal

4. LOCATION OF WELL (*Report location clearly and in accordance with any State requirements*)*
At surface: 790' FNL; 1119' FEL (NENE)
At top prod. interval reported below
At total depth

11. SEC., T., R., M., OR BLOCK AND SURVEY OR AREA: Sec. 17-T26N-R13W

API # 30-045-29160

14. PERMIT NO. | DATE ISSUED

12. COUNTY OR PARISH: San Juan | 13. STATE: NM

15. DATE SPUDDED	16. DATE T.D. REACHED	17. DATE COMPL. (*Ready to prod.*)	18. ELEVATIONS (DF, RKB, RT, GR, ETC.)*	19. ELEV. CASINGHEAD
9/19/94	9/22/94	04/26/97	6348 GL	--

20. TOTAL DEPTH, MD & TVD	21. PLUG, BACK T.D., MD & TVD	22. IF MULTIPLE COMPL., HOW MANY*	23. INTERVALS DRILLED BY	ROTARY TOOLS	CABLE TOOLS
1770'	1716'		→	X	--

24. PRODUCING INTERVAL(S), OF THIS COMPLETION—TOP, BOTTOM, NAME (MD AND TVD)*
1443' - 1464' Fruitland Coal

25. WAS DIRECTIONAL SURVEY MADE: --

26. TYPE ELECTRIC AND OTHER LOGS RUN
CBL/GR/CCL

27. WAS WELL CORED: No

28. CASING RECORD (*Report all strings set in well*)

CASING SIZE	WEIGHT, LB./FT.	DEPTH SET (MD)	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
7"	20#	126'	8-3/4"	70sx Class B	
4-1/2"	10.5#	1765'	6-1/4"	175sx Class B	

29. LINER RECORD

SIZE	TOP (MD)	BOTTOM (MD)	SACKS CEMENT*	SCREEN (MD)

30. TUBING RECORD

SIZE	DEPTH SET (MD)	PACKER SET (MD)
2-7/8"	1552'	

31. PERFORATION RECORD (*Interval, size and number*)
1443-1464' 4JSPF 3-1/8" gun @ 180 degree phasing

32. ACID, SHOT, FRACTURE, CEMENT SQUEEZE, ETC.

DEPTH INTERVAL (MD)	AMOUNT AND KIND OF MATERIAL USED
***	
SEE ATTACHMENT	SEE

33.* PRODUCTION

DATE FIRST PRODUCTION	PRODUCTION METHOD (*Flowing, gas lift, pumping—size and type of pump*)	WELL STATUS (*Producing or shut-in*)
*See Attachment		

DATE OF TEST	HOURS TESTED	CHOKE SIZE	PROD'N. FOR TEST PERIOD →	OIL—BBL.	GAS—MCF.	WATER—BBL.	GAS-OIL RATIO
06/26/97	24	1/4"			33	25	

FLOW. TUBING PRESS.	CASING PRESSURE	CALCULATED 24-HOUR RATE →	OIL—BBL.	GAS—MCF.	WATER—BBL.	OIL GRAVITY-API (CORR.)

34. DISPOSITION OF GAS (*Sold, used for fuel, vented, etc.*)
Vented

TEST WITNESSED BY: Matt Dodson

35. LIST OF ATTACHMENTS
Acid, Frac and Cement Squeeze Information Attached

36. I hereby certify that the foregoing and attached information is complete and correct as determined from all available records

SIGNED Carla A Shaw TITLE Production Technician /Agent DATE 07/02/97

*(See Instructions and Spaces for Additional Data on Reverse Side)

Title 18 U.S.C. Section 1001, makes 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

37. SUMMARY OF POROUS ZONES: (Show all important zones of porosity and contents thereof; cored intervals; and all drill-stem, tests, including depth interval tested, cushion used, time tool open, flowing and shut-in pressures, and recoveries):

FORMATION	TOP	BOTTOM	DESCRIPTION, CONTENTS, ETC.
Fruitland	1162'	1507'	
Pictured Cliffs	1507	TD	

38. GEOLOGIC MARKERS

NAME	TOP	
	MEAS. DEPTH	TRUE VERT. DEPTH

MARALEX RESOURCES, INC.

WEST BISTI 26-13-17 #1
790'FNL; 1119' FEL
SEC. 17-T26N-R13W
SAN JUAN CO., NM

ATTACHMENT TO WELL COMPLETION REPORT

PERFORATING RECORD:
1443' TO 1464'
Interval was perforated with 4 JSPF using a 3-1/8'' gun at 180 degree phasing.

ACID RECORD:
ACIDIZED ABOVE PERFORATIONS WITH 1,000 GALLONS 12-3 MUD ACID.

FRAC TREATMENT RECORD:
Pump 25,000 gal 70 Quality Foam Pad
Pump 9,000 gal 70 Quality Foam w/1 PPG 20-40
Pump 7,000 gal 70 Quality Foam w/2 PPG 20-40
Pump 5,000 gal 70 Quality Foam w/3 PPG 20-40
Pump 4,000 gal 70 Quality Foam w/4 PPG 20-40
Pump 1,000 gal 70 Quality Foam w/5 PPG 20-40

Pumped 62,000 lbs. sand
Final sand concentration = 5.5 lb/gal. Well screened out with 5.5 PPG on perfs. Left 3500 lbs sand in wellbore. Flowback on 1/8'' choke.
Total load = 364 BW; 596 MCF N2

CEMENT SQUEEZE RECORD:
Casing leak between 1108' - 1123'KB
Squeezed with 25 sx Class G cement w/2%cal/2 mixed at 15.6 ppg.

Casing leak between 1328' - 1336'KB
Squeezed with 30 sx Class G cement w/2%cal/2 mixed at 15.6 ppg.