

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

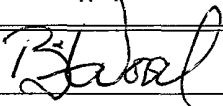
RECEIVED

1a. Type of work: <input checked="" type="checkbox"/> DRILL <input type="checkbox"/> REENTER		5. Lease Serial No. NMNM: 8409	
1b. Type of Well: <input type="checkbox"/> Oil Well <input checked="" type="checkbox"/> Gas Well <input type="checkbox"/> Other		6. If Indian, Allottee or Tribe Name N/A	
2. Name of Operator MARALEX RESOURCES, INC.		7. If Unit or CA Agreement, Name and No. N/A	
3a. Address P. O. BOX 338 IGNACIO, CO 81337		8. Lease Name and Well No. DOME FEDERAL FC 7 #1	
3b. Phone No. (include area code) (970) 563-4000		9. API Well No. 30-045- 34003	
4. Location of Well (Report location clearly and in accordance with any State requirements.)* At surface 700' FNL & 1300' FWL At proposed prod. zone SAME		10. Field and Pool, or Exploratory BASIN FRUITLAND COAL GAS	
14. Distance in miles and direction from nearest town or post office* 8 AIR MILES SSW OF FARMINGTON, NM		11. Sec., T. R. M. or Blk. and Survey or Area D 7-27N-13W NMPM	
15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 700'		12. County or Parish SAN JUAN	
16. No. of acres in lease 913.25		13. State NM	
17. Spacing Unit dedicated to this well W/2 LOTS 1-12 344.56			
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 934'		20. BLM/BIA Bond No. on file BLM STATE WIDE NM2726 B188110	
21. Elevations (Show whether DF, KDB, RT, GL, etc.) 5,959' GL		22. Approximate date work will start* 02/01/2007	
		23. Estimated duration 2 WEEKS	

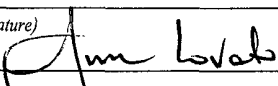
24. Attachments

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

- 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) BRIAN WOOD	Date 10/05/2006
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Title CONSULTANT PHONE: (505) 466-8120 FAX: (505) 466-9682

Approved by (Signature) 	Name (Printed/Typed)	Date 8/30/07
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Title Acting ARM Minerals Office RCVD SEP 4 '07

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.

OIL CONS. DIV.
DIST. 3

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)

This action is subject to technical and procedural review pursuant to 43 CFR 3165.3 and appeal pursuant to 43 CFR 3165.4

NOTIFY AZTEC OCD 24 HRS.
PRIOR TO CASING & CEMENT

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

NMOCD

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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 30-045-34003	Pool Code 71629	Well Name BASIN FRUITLAND COAL GAS
Property Code 36707	Property Name DOME FEDERAL FC 7	Well Number 1
OGRID No. 013998	Operator Name MARALEX RESOURCES, INC.	Elevation 5959

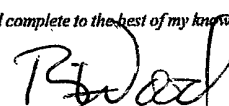
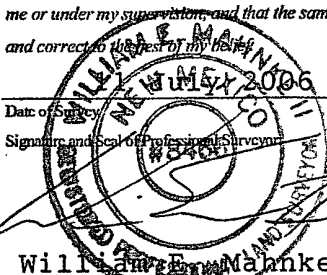
10 Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
2	7	27N	13W		700	North	1300	West	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 364.56	Joint or Infill	Consolidation Code C	Order No.						

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

NOTE 6M	16 1300'	45.46 ch.	WEST	40 ch.	80 ch. N 0° 3' W	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 CONSULTANT Title and E-mail Address brian@permitswest.com Date OCT. 5, 2006
	3 2	1				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 knowledge and belief.  Date of Survey MAY 2006 Signature and Seal of Professional Surveyor William E. Mahanke II Certificate Number 8466
	4 5	6				
	9 8	7				
10 11	12	45.68 ch.	WEST	40 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- 34003
5. Indicate Type of Lease STATE <input type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No. NMNM-008409
7. Lease Name or Unit Agreement Name DOME FEDERAL FC 7
8. Well Number #1
9. OGRID Number 013998
10. Pool name or Wildcat BASIN FRUITLAND COAL GAS

Pit or Below-grade Tank Application ☒ or Closure ☐

Pit type: DRILLING Depth to Groundwater: >50' Distance from nearest fresh water well: >1,000' Distance from nearest surface water: >100'

Pit Liner Thickness: 12 mil Below-Grade Tank: Volume _____ bbls; Construction Material synthetic

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 ☐ Gas Well ☒ Other ☐

2. Name of Operator
MARALEX RESOURCES, INC.

3. Address of Operator
P. O. BOX 338, IGNACIO, CO 81337

4. Well Location
Unit Letter: 2 700' FNL & 1300' FWL
Section 7 Township 27 N Range 13 W NMPM SAN JUAN County

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
5,959' GL

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: OCT. 5, 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

SEP 06 2007

APPROVED BY: [Signature] TITLE _____ DATE _____

Conditions of Approval (if any):

Maralex Resources, Inc.
Dome Federal FC 7 #1
700' FNL & 1300' FWL
Sec. 7, 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'	+5,959'
Farmington	359'	364'	+5,600'
Fruitland Coal	1,159'	1,164'	+4,800'
Pictured Cliffs	1,284'	1,289'	+4,675'
Lewis Shale	1,459'	1,464'	+4,500'
Total Depth (TD)	1,600'	1,605'	+4,359'

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.
Dome Federal FC 7 #1
700' FNL & 1300' FWL
Sec. 7, 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.
Dome Federal FC 7 #1
700' FNL & 1300' FWL
Sec. 7, T. 27 N., R. 13 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.

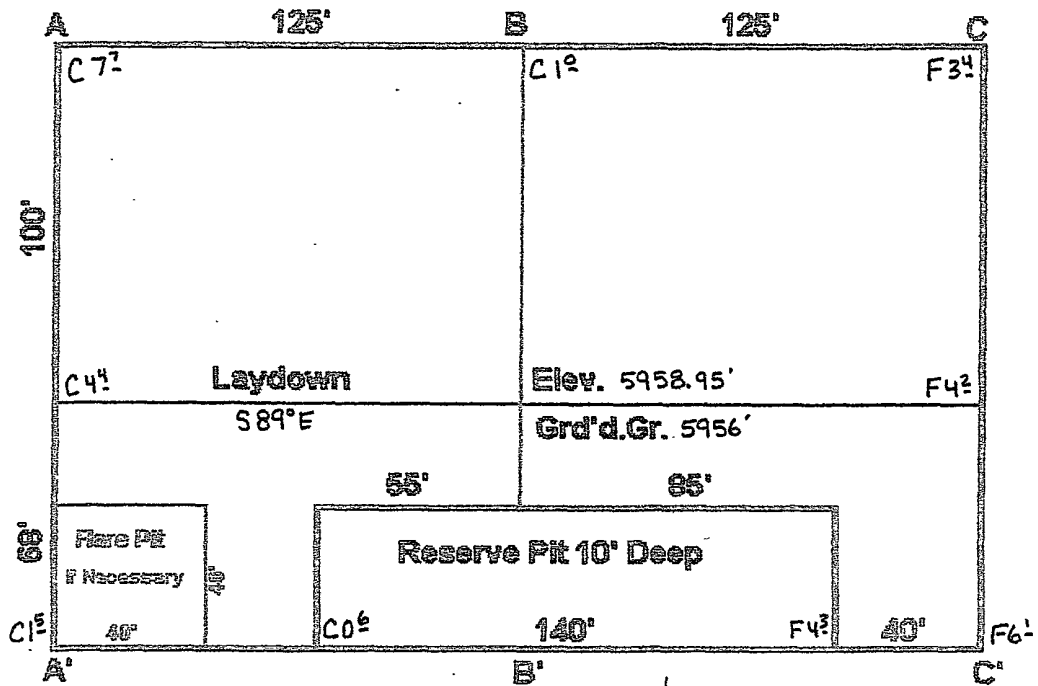
7. DOWN HOLE CONDITIONS

No abnormal pressures, temperatures, nor hydrogen sulfide are expected. Maximum expected bottom hole pressure will be ≤ 350 psi.

8. OTHER INFORMATION

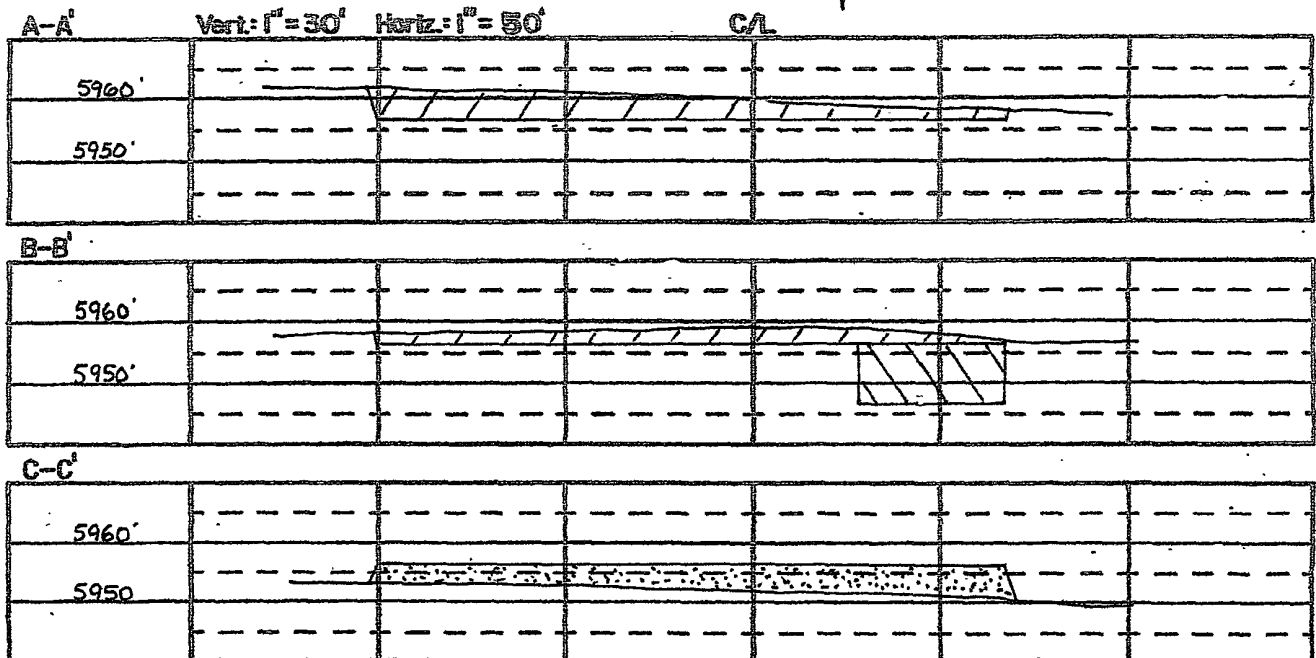
The anticipated spud date is upon approval. It is expected it will take ≈ 2 weeks to drill and complete the well.

MARALEX RESOURCES, INC.
DOMESTIC FEDERAL FC 7 #1
700' FNL & 1300' FWL
Sec.7, T27N, R13W, NMPM
San Juan Co., NM



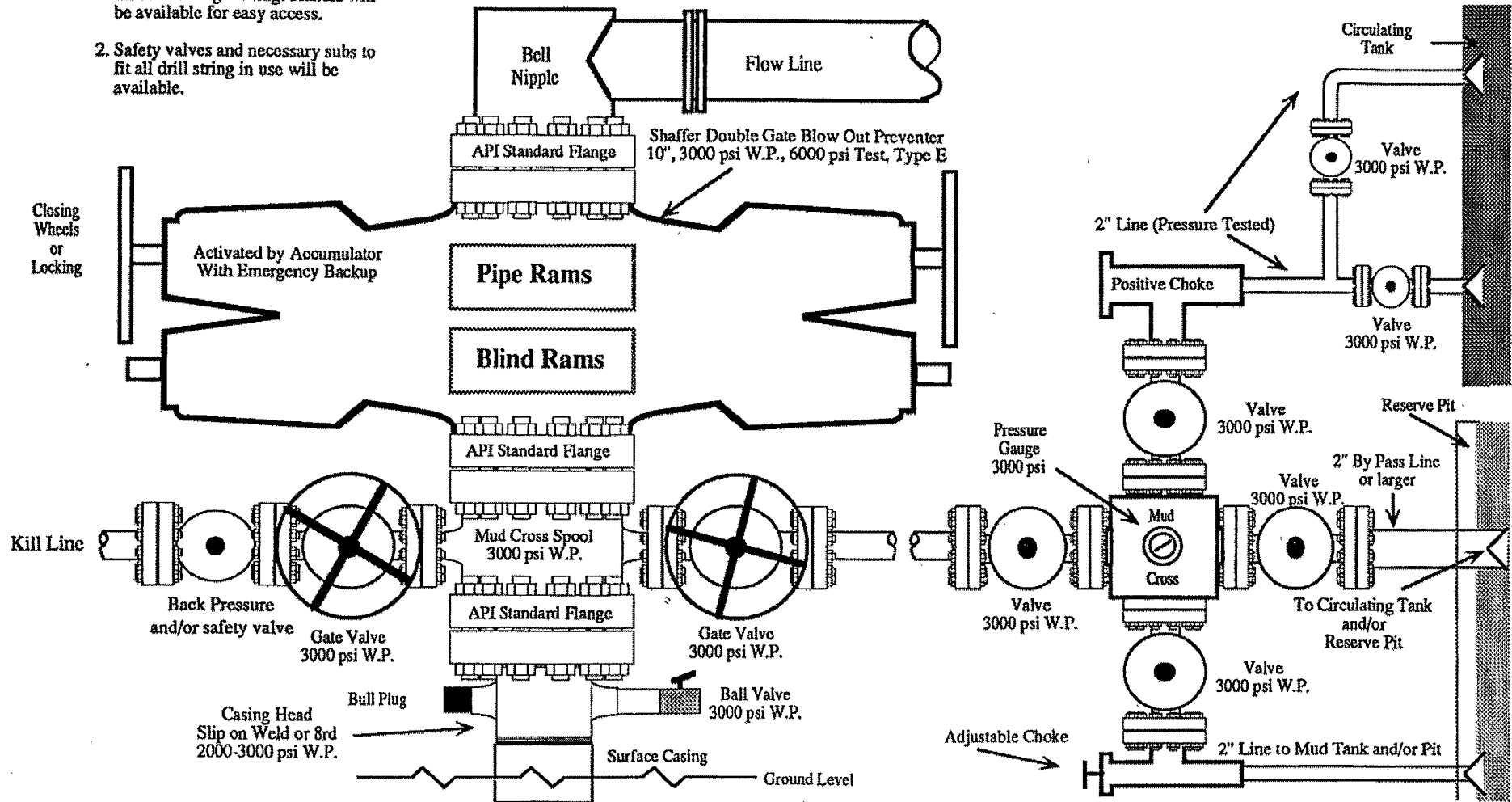
SCALE : 1"=50'

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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.