

If earthen pits are used in association with the drilling of this well, an OCD pit permit must be obtained prior to pit construction.

(Other instructions on reverse side)
N.M. Oil Cons. Div. District 2
1301 W. Grand Avenue
ALBUQUERQUE, NM 88210
SECRETARY'S POTASH

FORM APPROVED
OMB NO. 1004-0136
Expires: February 28, 1995

LEASE DESIGNATION AND SERIAL NO.
NM-92180

6. IF INDIAN, ALLOTTEE OR TRIBE NAME

7. UNIT AGREEMENT NAME

8. FARM OR LEASE NAME WELL NO.
GOLD RUSH #31 FEDERAL

9. API WELL NO.
30-015-32768

10. FIELD AND POOL, OR WILDCAT
NASH DRAW-BRUSHY CANYON

11. SEC., T., R., M., OR BLK. AND SURVEY OR AREA
SECTION 31 T23S-R30E

12. COUNTY OR PARISH
EDDY CO.

13. STATE
NM

A.

1a. TYPE OF WORK

DRILL ☒

DEEPEN ☐

b. TYPE OF WELL

OIL WELL ☒

GAS WELL ☐

OTHER

SINGLE ZONE ☒

MULTIPLE ZONE ☐

2. NAME OF OPERATOR

MARALO, LLC. (PHILLIP SMITH 432-684-7441)

3. ADDRESS AND TELEPHONE NO.

P.O. BOX 832 MIDLAND, TEXAS 79702 (432-684-7441)

4. LOCATION OF WELL (Report location clearly and in accordance with any State requirements.)*

At surface

1650' FNL & 1750' FEL SECTION 31 T23S-R30E EDDY CO. RECEIVED
At proposed prod. zone SAME SEP 29 2004

14. DISTANCE IN MILES AND DIRECTION FROM NEAREST TOWN OR POST OFFICE*

Approximately 12 miles East of Loving New Mexico. OOB-ARTESIA

15. DISTANCE FROM PROPOSED* LOCATION TO NEAREST PROPERTY OR LEASE LINE, FT.

990'

16. NO. OF ACRES IN LEASE

960

17. NO. OF ACRES ASSIGNED TO THIS WELL

40

18. DISTANCE FROM PROPOSED LOCATION* TO NEAREST WELL, DRILLING, COMPLETED, OR APPLIED FOR, ON THIS LEASE, FT.

1320'

19. PROPOSED DEPTH

7450'

20. ROTARY OR CABLE TOOLS

ROTARY

21. ELEVATIONS (Show whether DF, RT, GR, etc.)

3113' GR.

22. APPROX. DATE WORK WILL START*

WHEN APPROVED

23. PROPOSED CASING AND CEMENTING PROGRAM CARLSBAD CONTROLLED WATER BASIN

SIZE OF HOLE	GRADE, SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	QUANTITY OF CEMENT
25"	20" Conductor	NA	40'	Cement to surface W/Redi-mix
17 1/2"	J-55 13 3/8"	54.5	650'	750 Sx. Circulate cement to surf.
12 1/4"	J-55 8 5/8"	32	3100'	1175 Sx. " " " "
7 7/8"	J-55 5 1/2"	15.5	7450'	1000 Sx. " " " "

1. Drill 25" hole to 40'. Set 40' oc 20" conductor pipe and cement to surface with Redi-mix.
2. Drill 17 1/2" hole to 650'. Run and set 650' of 13 3/8" 54.5# J-55 ST&C casing. Cement with 500 Sx. of Halco Light cement + additives, tail in with 250 Sx. of Class "C" cement + 2% CaCl, + 1/4# Flocele/Sx. Circulate cement to surface.
3. Drill 12 1/4" hole to 3100'. Run and set 3100' of 8 5/8" 32# J-55 ST&C casing. Cement with 925 Sx. of Class "C" Halco Light cement + additives, tail in with 250 Sx. of Class "C" cement + 2% CaCl, + 1/4# Flocele/Sx. Circulate cement to surface.
4. Drill 7 7/8" hole to 7450'. Run and set 7450' of 5 1/2" 15.5# J-55 LT&C casing. Cement with 700 Sx. of Class "H" Halco Light cement + additives, tail in with 300 Sx. of Class "H" Premium Plus cement + additives. Circulate cement to surface.

THIS WELL WAS ORIGINALLY APPROVED TO DRILL ON 11/03/00 EXTENTIONS WERE GRANTED AND WELL WAS NOT DRILLED. THEREFORE THIS APD IS BEING RE-SUBMITTED FOR APPROVAL AGAIN AT THIS TIME.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: If proposal is to deepen, give data on present productive zone and proposed new productive zone. If proposal is to drill or deepen directionally, give pertinent data on subsurface locations and measured and true vertical depths. Give blowout preventer program, if any.

24. SIGNED Det. Janica TITLE Agent DATE 07/09/04

(This space for Federal or State office use)

PERMIT NO. _____

APPROVAL DATE _____

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:

ACTING

APPROVED BY William S. Condit

TITLE STATE DIRECTOR

DATE 21 SEP 2004

*See Instructions On Reverse Side

APPROVAL FOR 1 YEAR

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 as to any matter within its jurisdiction.

DISTRICT IV
P.O. BOX 2088, SANTA FE, N.M. 87504-2088

Form C-102
Revised February 10, 1994
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

API Number	Pool Code 47545	Pool Name NASH DRAW-BRUSHY CANYON
Property Code 21118	Property Name GOLD RUSH "31" FEDERAL	Well Number 4
OGRID No. 14007	Operator Name MARALO, LLC	Elevation 3113'

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
G	31	23-S	30-E		1650'	NORTH	1750'	EAST	EDDY

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres 40	Joint or Infill	Consolidation Code	Order No.						

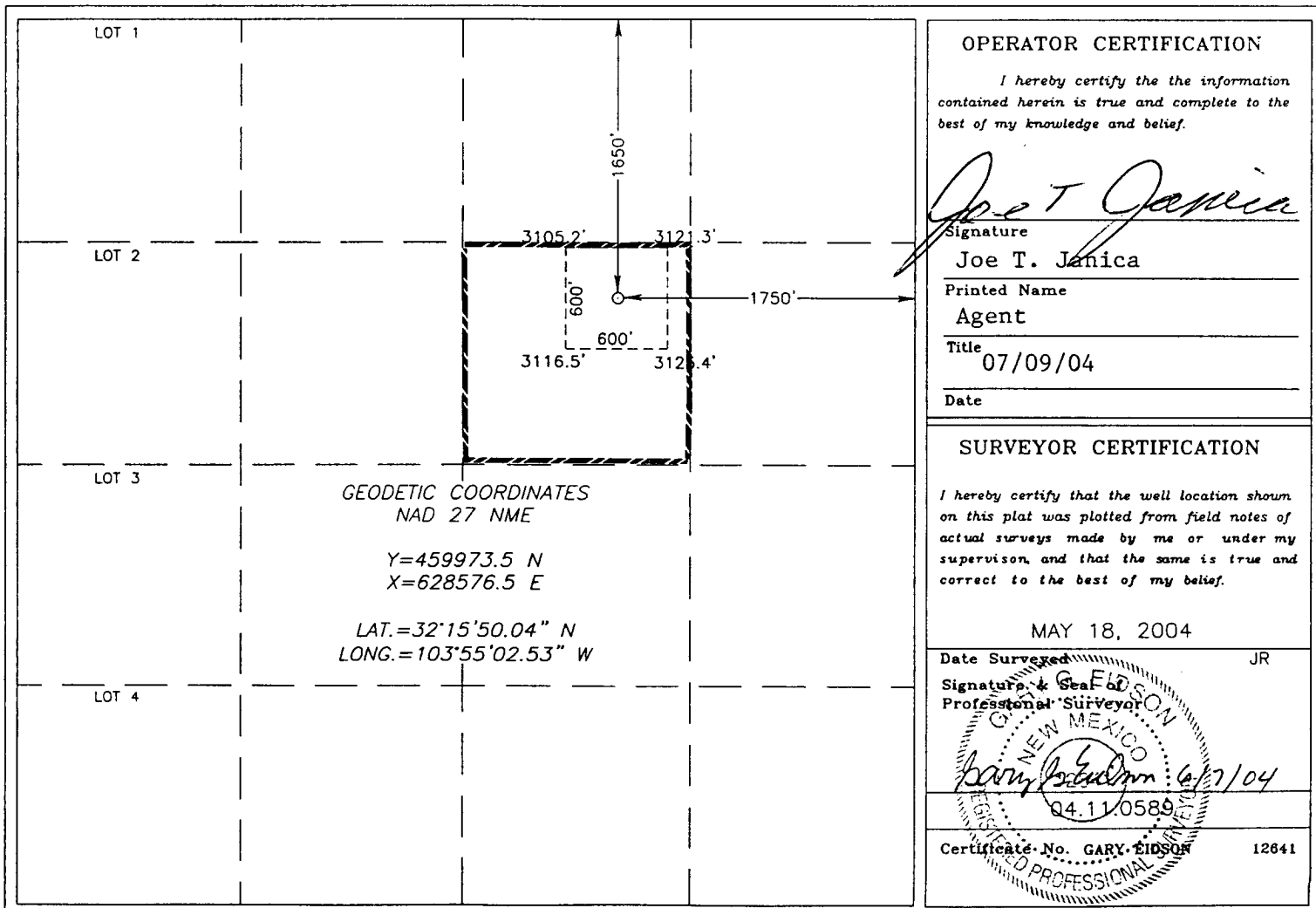
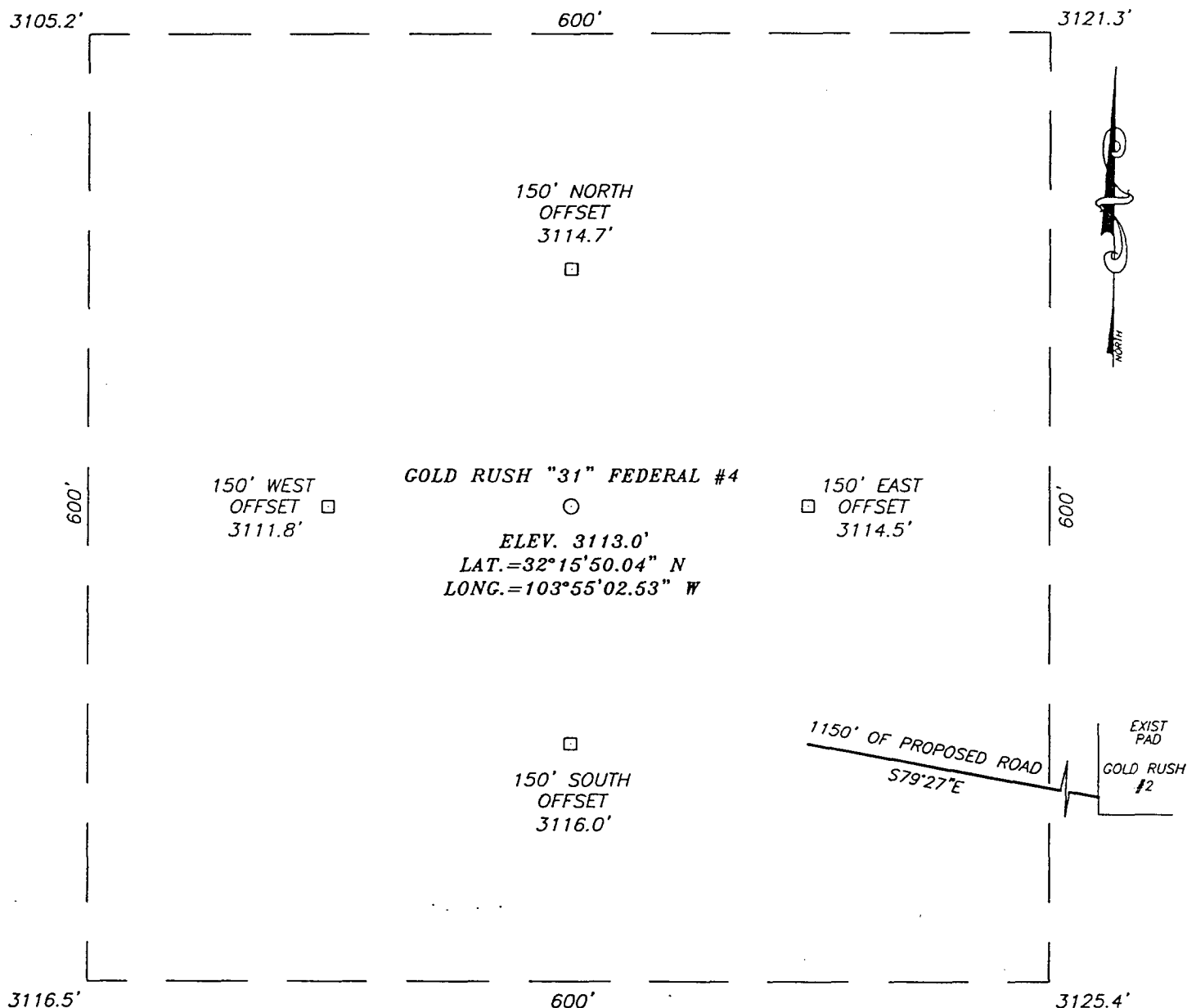


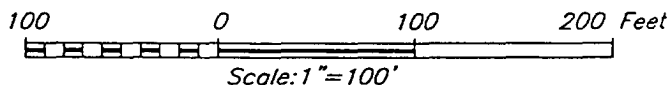
EXHIBIT "A"

SECTION 31, TOWNSHIP 23 SOUTH, RANGE 30 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF STATE HWY 128 AND CO. RD. 793 (RAWHIDE RD.), GO SOUTH ON CO. RD. 793 FOR 4.8 MILES. TURN LEFT AND GO 0.4 MILES, TURN RIGHT AND GO 0.7 MILES ON MAIN ROAD, THEN TURN RIGHT AND GO 0.2 MILES TO THE GOLD RUSH #2 WELL LOCATED 1980' FNL & 330' FEL SEC. 31, FOLLOW THE ROAD SURVEY FROM THE SW CORNER OF PAD 1150' TO THIS LOCATION.



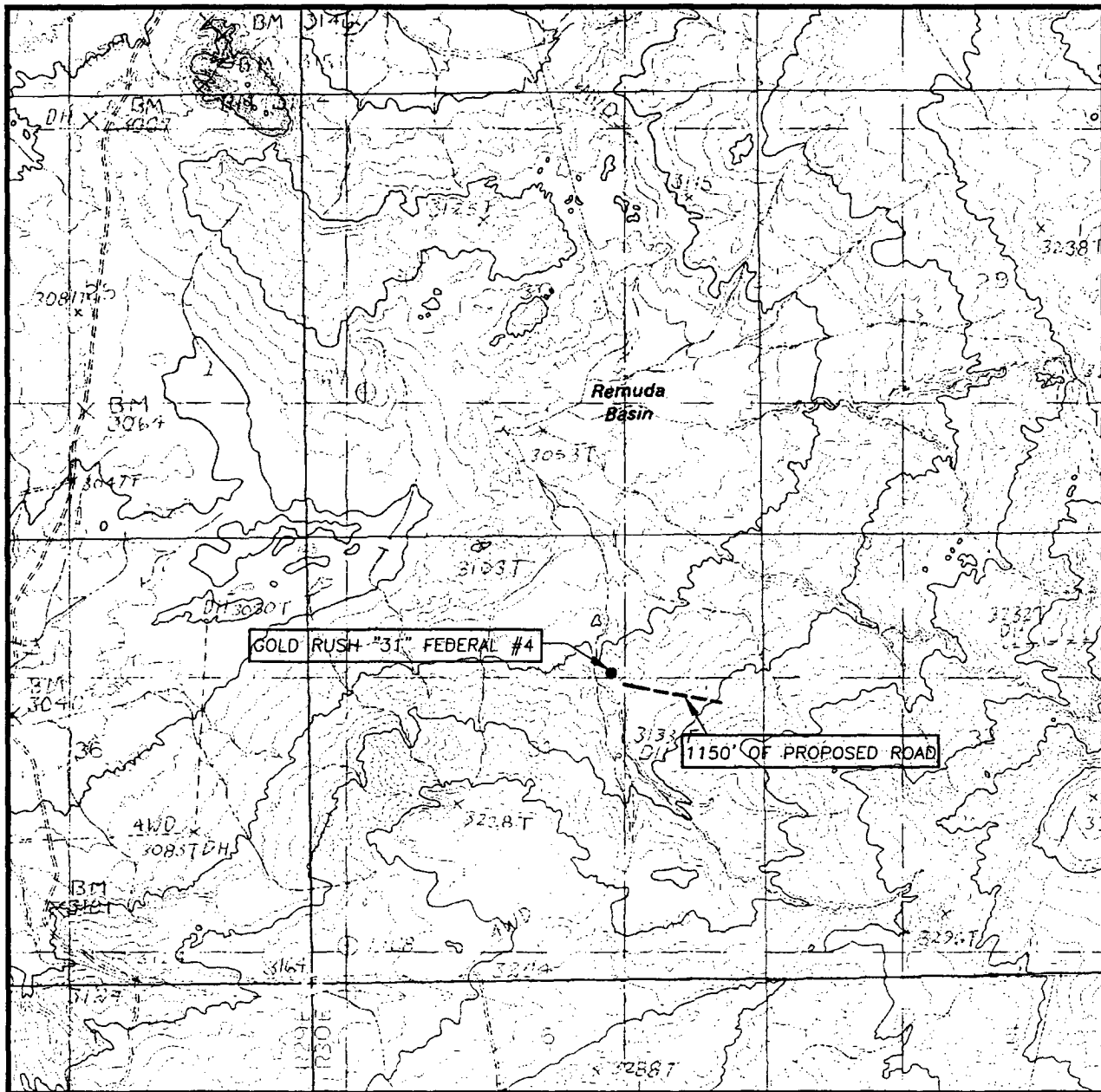
MARALO, LLC

GOLD RUSH "31" FED. #4 WELL
 LOCATED 1650 FEET FROM THE NORTH LINE
 AND 1750 FEET FROM THE EAST LINE OF SECTION 31,
 TOWNSHIP 23 SOUTH, RANGE 30 EAST, N.M.P.M.,
 EDDY COUNTY, NEW MEXICO.

Survey Date: 05/18/04	Sheet 1 of 1 Sheets
W.O. Number: 04.11.0589	Dr By: J. RIVERO Rev 1:N/A
Date: 06/1/04	Disk: CD#10 04110589 Scale: 1"=100'

PROVIDING SURVEYING SERVICES
 SINCE 1948
JOHN WEST SURVEYING COMPANY
 412 N. DAL PASO
 HOBBS, N.M. 88240
 (505) 393-3117

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
REMUDA BASIN, N.M. - 10'

SEC. 31 TWP. 23-S RGE. 30-E

SURVEY N.M.P.M.

COUNTY EDDY

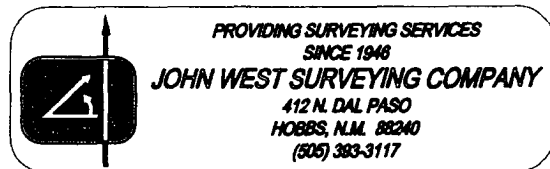
DESCRIPTION 1650' FNL & 1750' FEL

ELEVATION 3113'

OPERATOR MARALO, LLC

LEASE GOLD RUSH "31" FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
REMUDA BASIN, N.M.



APPLICATION TO DRILL

MARALO LLC.
GOLD RUSH "31" FEDERAL # 4
UNIT "G" SECTION 31
T23S-R30E EDDY CO. NM

In response to questions asked under Section II of Bulletin NTL-6 the following information on the above well is provided for your consideration.

1. Location of well: 1650' FNL & 1750' FEL SECTION 31 T23S-R30E EDDY CO. NM

2. Ground Elevation above Sea Level: 3112 GR.

3. Geological age of surface formation: Quaternary Deposits:

4. Drilling tools and associated equipment: Conventional rotary drilling rig using drilling mud as a circulating medium to remove solids from hole.

5. Proposed drilling depth: 7450'

6. Estimated tops of geological markers:

Lamar	3290'	Brushy Canyon	6350'
Bell Canyon	4280'	Bone Spring	7080'
Cherry Canyon	5780'	Avalon Sand	7190'

7. Possible mineral bearing formations:

Brushy Canyon	Oil
Bone Spring	Oil
Avalon Sand	Oil

8. Casing Program:

Hole Size	Interval	OD of Casing	Weight	Thread	Collar	Grade
25"	0-40'	20"	NA	NA	NA	Conductor
17½"	0-650'	13 3/8"	54.5	8-R	ST&C	J-55
12¼"	0-3100'	8 5/8"	32	8-R	ST&C	J-55
7 7/8"	0-7450'	5½"	15.5	8-R	LT&C	J-55

APPLICATION TO DRILL

MARALO LLC.
 GOLD RUSH "31" FEDERAL # 4
 UNIT "G" SECTION 31
 T23S-R30E EDDY CO. NM

9. CASING CEMENTING & SETTING DEPTH:

20"	Conductor	Set 40' of 20" conductor pipe and cement to surface Redi-mix.
13 3/8"	Surface	Set 650' of 13 3/8" 54.5# J-55 ST&C casing. Cement with 500 Sx. of Halco Light + additives, tail in with 250 Sx. of Class "C" + 2% CaCl, + 1/4# Flocele/Sx. Circulate cement.
8 5/8"	Intermediate	Set 3100' of 8 5/8" 32# J-55 ST&C casing. CEment with 925 Sx. of Halco Light + additives, tail in with 250 Sx. of Class "C" cement + 2% CaCl, + 1/4# Flocele/Sx. circulate cement to surface.
5 1/2"	Production	Set 7450' of 5 1/2" 15.5# J-55 LT&C Casing. Cement with 700 Sx. of Halco Light cement + additives, tail in with 300 Sx. of Class "H" Modified + additives, circulate cement to surface.

10. PRESSURE CONTROL EQUIPMENT: Exhibit "E" shows a 900 series 3000 PSI working perssure B.O.P. consisting of an annular bag type preventor, middle blind rams, and bottom pipe rams. The B.O.P. will be nipped up on the 13 3/8" casing and tested to API specifications. The B.O.P. will be operated at least once each 24 Hr. period and the blind rams will be operated when the drill pipe is out of on trips. Full opening stabbing valve and upper kelly cock will be available in case if needed. Exhibit "E-1" shows a hydraulically operated closing unit and a 3" 3000 PSI choke manifold with adjustable chokes. No abnormal pressures or temperatures are expected while drilling this well. No problems in offset wells.

11. PROPOSED MUD CIRCULATING SYSTEM:

DEPTH	MUD WT.	VISC.	FLUID LOSS	TYPE MUD SYSTEM
40-650'	8.4-8.7	29-34	NC	Fresh water use paper to control seepage.
650-3100'	10.0-10.2	29-38	NC	Brine water add paper to control seepage & High viscosity sweeps to clean hole.
3100-6900'	8.4-8.7	29-38	NC	Fresh water use Gel for for high viscosity sweeps to clean hole.
6900-7450'	8.4-8.7	34-40	10 cc or less	Same as above add a Poly- to reduce water loss and Gel for viscosity use high viscosity sweeps to clean hole.

Sufficient mud materials will be kept on location at all times in order to combat lost circulation, or unexpected kicks. In order to run DST's, open hole logs, and casing, viscosity, and water loss may have to be adjusted to meet these needs.

APPLICATION TO DRILL

MARALO LLC.
GOLD RUSH "31" FEDERAL # 4
UNIT "G" SECTION 31
T23S-R30E EDDY CO. NM

12. LOGGING, CORING, AND TESTING PROGRAM:

- A. Open hole logs: Dual Induction, CNL, LDT, Gamma Ray and Caliper from TD back to 3100'.
- B. Run Gamma Ray, CNL from 3100' back to surface.
- C. Mud logger will be placed on hole at 3100' and remain on hole to TD.
- D. No DST's or cores are planed at this time.

13. POTENTIAL HAZARDS:

No abnormal pressures or temperatures are expected. There is no known presence of H²S in this area. If H²S is encountered the operator will comply with the provisions of Onshore Oil and Gas Order No. 6. No lost circulation is expected to occur. All personnel will be familiar with all aspects of safe operation of equipment being used to drill this well. Estimated BHP 3800 PSI, and Estimated BHT 150°.

14. ANTICIPATED STARTING DATE AND DURATION OF OPERATION:

Road and location construction will begin after the BLM has approved the APD. Anticipated spud date will be as soon after BLM approval and as soon as a rig will be available. Move in operation and drilling is expected to take 22 days. If production casing is run then an additional 30 days will be needed to complete well and construct surface facilities and/or lay flowlines in order to place well on production.

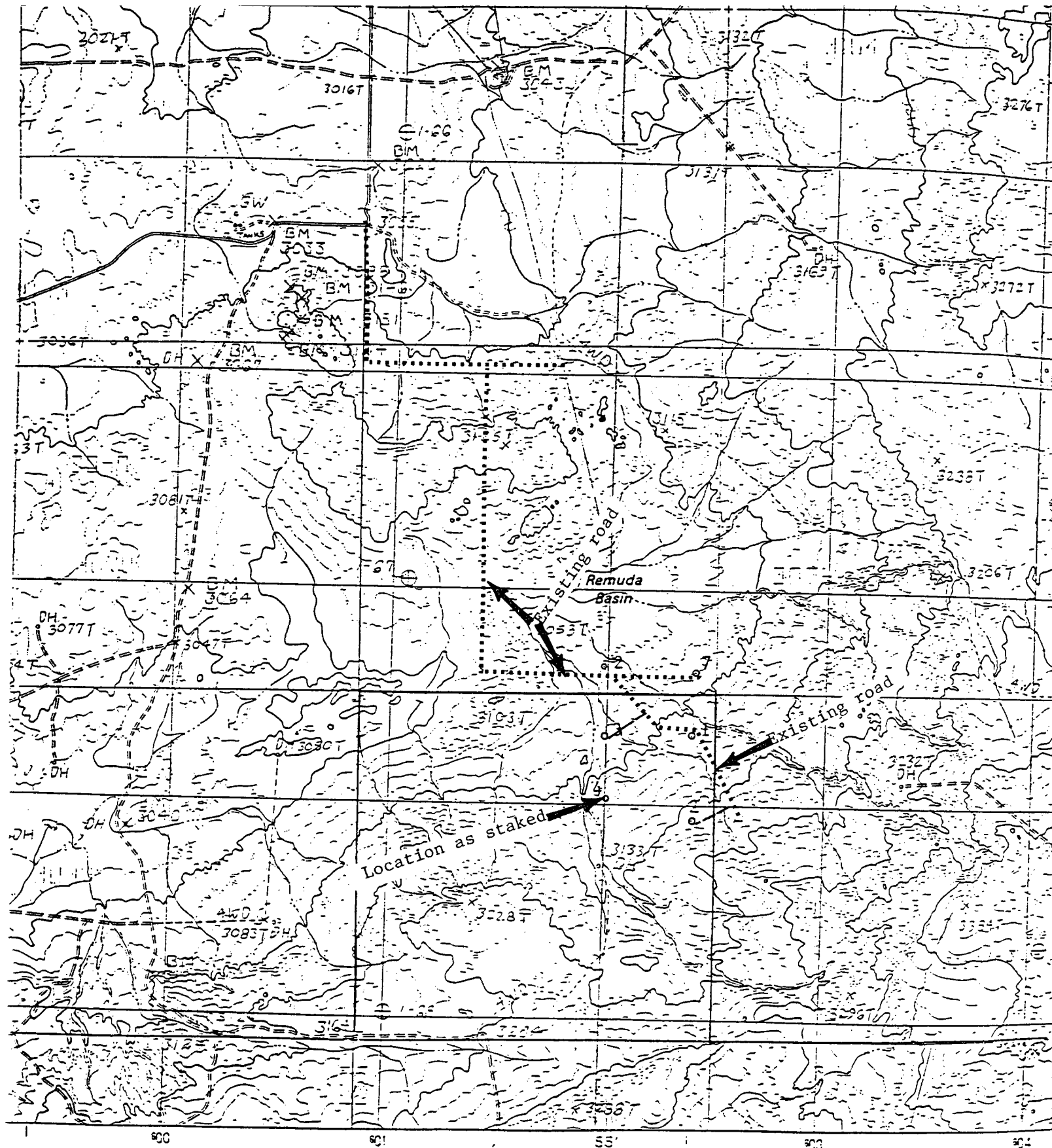
15. OTHER FACETS OF OPERATIONS:

After running casing, cased hole Gamma Ray, Neutron Collar logs will be run from TD back to all possible productive zones. The BRUSHY CANYON formation will be perforated and stimulated in order to establish production. The well will be swab tested and potentialied as an oil well.

HYDROGEN SULFIDE DRILLING OPERATIONS PLAN

1. All Company and Contract personnel admitted on location must be trained by a qualified H₂S safety instructor to the following:
 - A. Characteristics of H₂S
 - B. Physical effects and hazards
 - C. Proper use of safety equipment and life support systems.
 - D. Principle and operation of H₂S detectors, warning system and briefing areas.
 - E. Evacuation procedure, routes and first aid.
 - F. Proper use of 30 minute pressure demand air pack.
2. H₂S Detection and Alarm Systems
 - A. H₂S detectors and audio alarm system to be located at bell nipple, end of bloopie line (mud pit) and on derrick floor or doghouse.
3. Windsock and/or wind streamers
 - A. Windsock at mudpit area should be high enough to be visible.
 - B. Windsock at briefing area should be high enough to be visible.
 - C. There should be a windsock at entrance to location.
4. Condition Flags and Signs
 - A. Warning sign on access road to location.
 - B. Flags to be displayed on sign at entrance to location. Green flag, normal safe condition. Yellow flag indicates potential pressure and danger. Red flag, danger, H₂S present in dangerous concentration. Only emergency personnel admitted to location.
5. Well control equipment
 - A. See exhibit "E" & "E-1"
6. Communication
 - A. While working under masks chalkboards will be used for communication.
 - B. Hand signals will be used where chalk board is inappropriate.
 - C. Two way radio will be used to communicate off location in case of emergency help is required. In most cases cellular telephones will be available at most drilling foreman's trailer or living quarters.
7. Drillstem Testing
 - A. Exhausts will be watered.
 - B. Flare line will be equipped with an electric ignitor or a propane pilot light in case gas reaches the surface.
 - C. If the location is near to a dwelling a closed DST will be performed.

8. Drilling contractor supervisor will be required to be familiar with the effects H₂S has on tubular goods and other mechanical equipment.
9. If H₂S is encountered, mud system will be altered if necessary to maintain control of formation. A mud gas separator will be brought into service along with H₂S scavengers if necessary.



SCALE 1:24 000

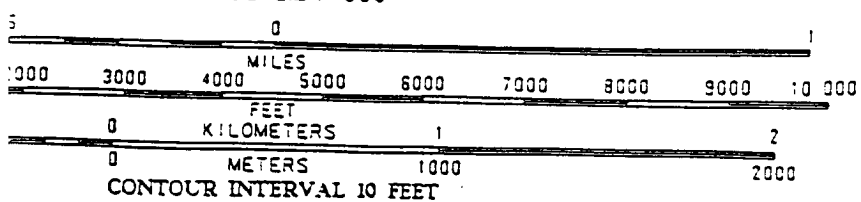
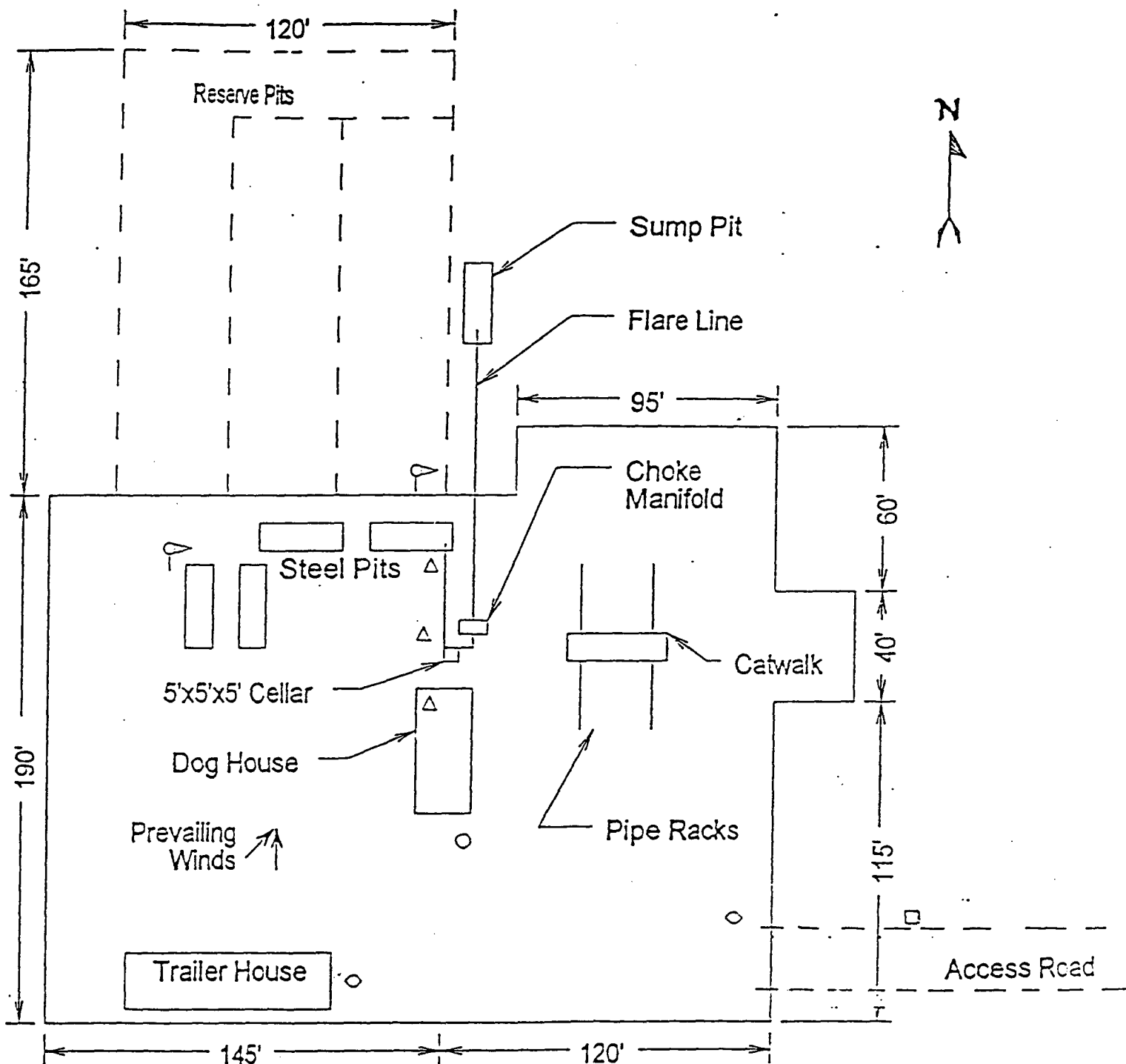


EXHIBIT "C"
TOPOGRAPHIC MAP SHOWING
ROADS & DIRECTIONS TO

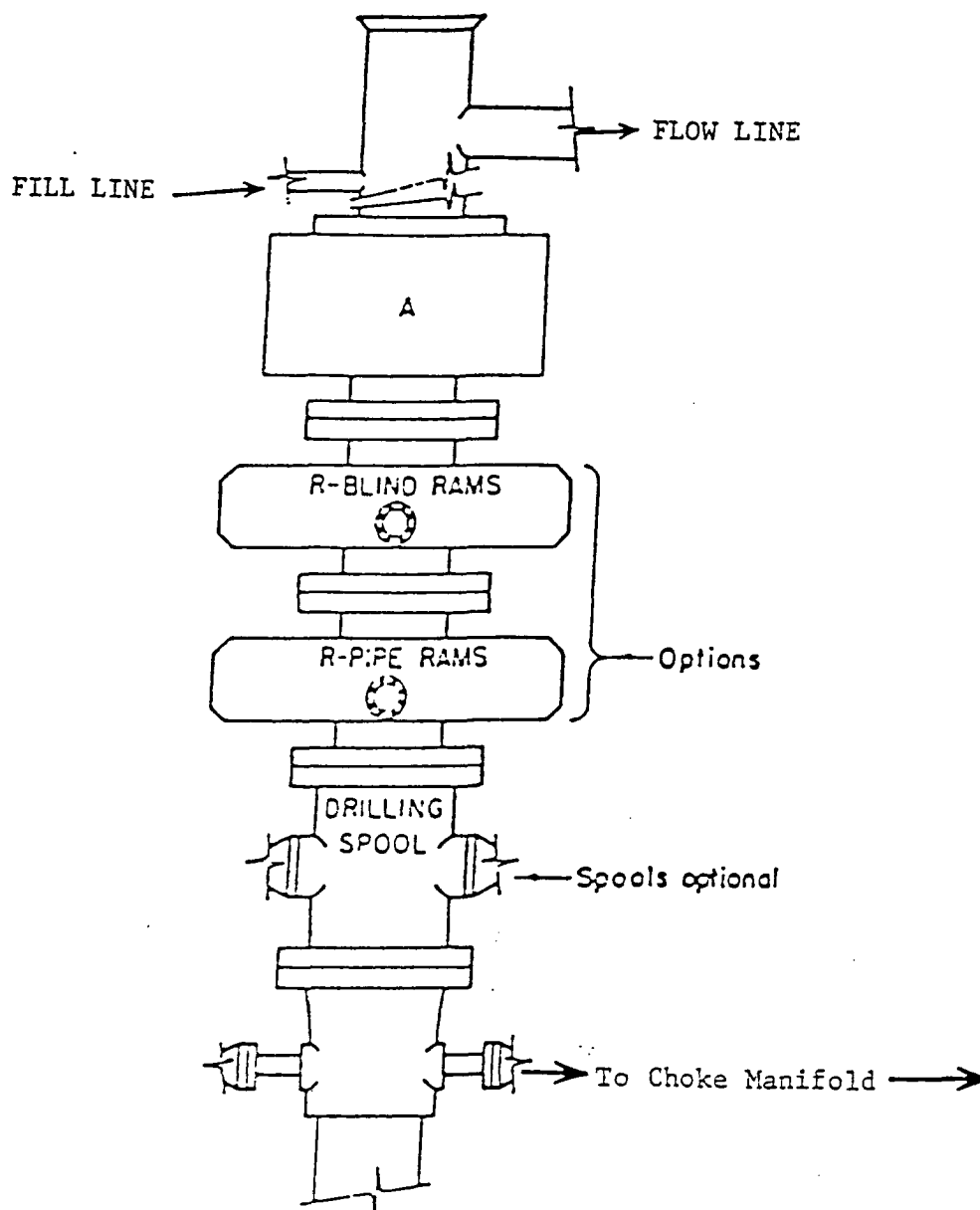
MARALO, LLC.
GOLD RUSH "31" FEDERAL # 4
UNIT "G" SECTION 31
T23S-R30E EDDY CO. NM



- Wind Direction Indicators
(wind sock or streamers)
- △ H2S Monitors
(alarms at bell nipple and shale shaker)
- Briefing Areas
- Remote BOP Closing Unit
- Sign and Condition Flags

EXHIBIT "D"
RIG LAY OUT PLAT

MARALO, LLC.
GOLD RUSH "31" FEDERAL # 4
UNIT "G" SECTION 31
T23S-R30E EDDY CO. NM

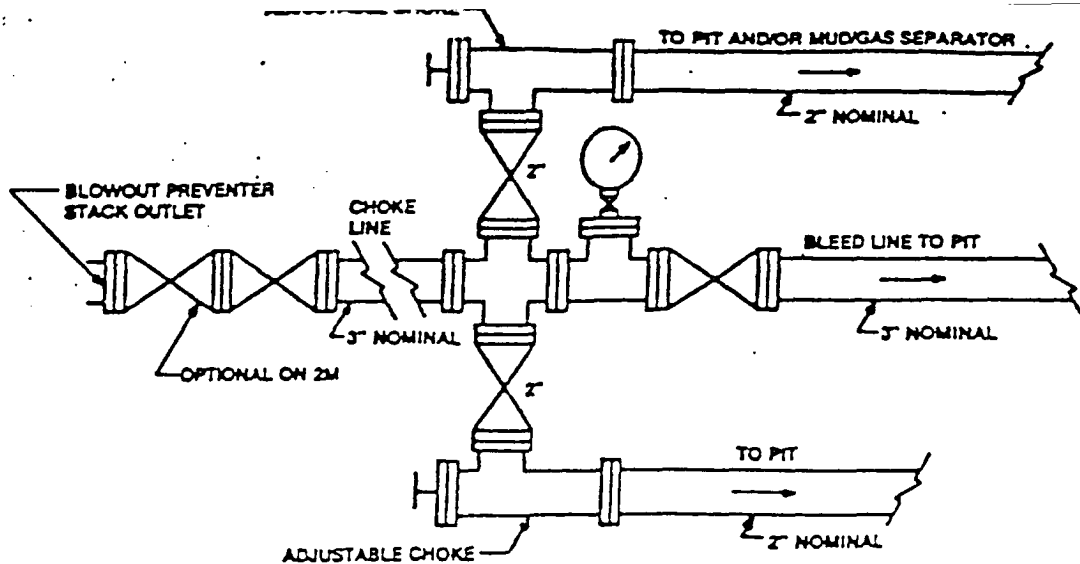


ARRANGEMENT SRRA

900 Series
3000 PSI WP

EXHIBIT "E"
SKETCH OF B.O.P. TO BE USED ON

MARALO, J.L.C
GOLD RUSH "31" FEDERAL # 4
UNIT "G" SECTION 31
T23S-R30E EDDY CO. NM



Typical choke manifold assembly for 3M WP system

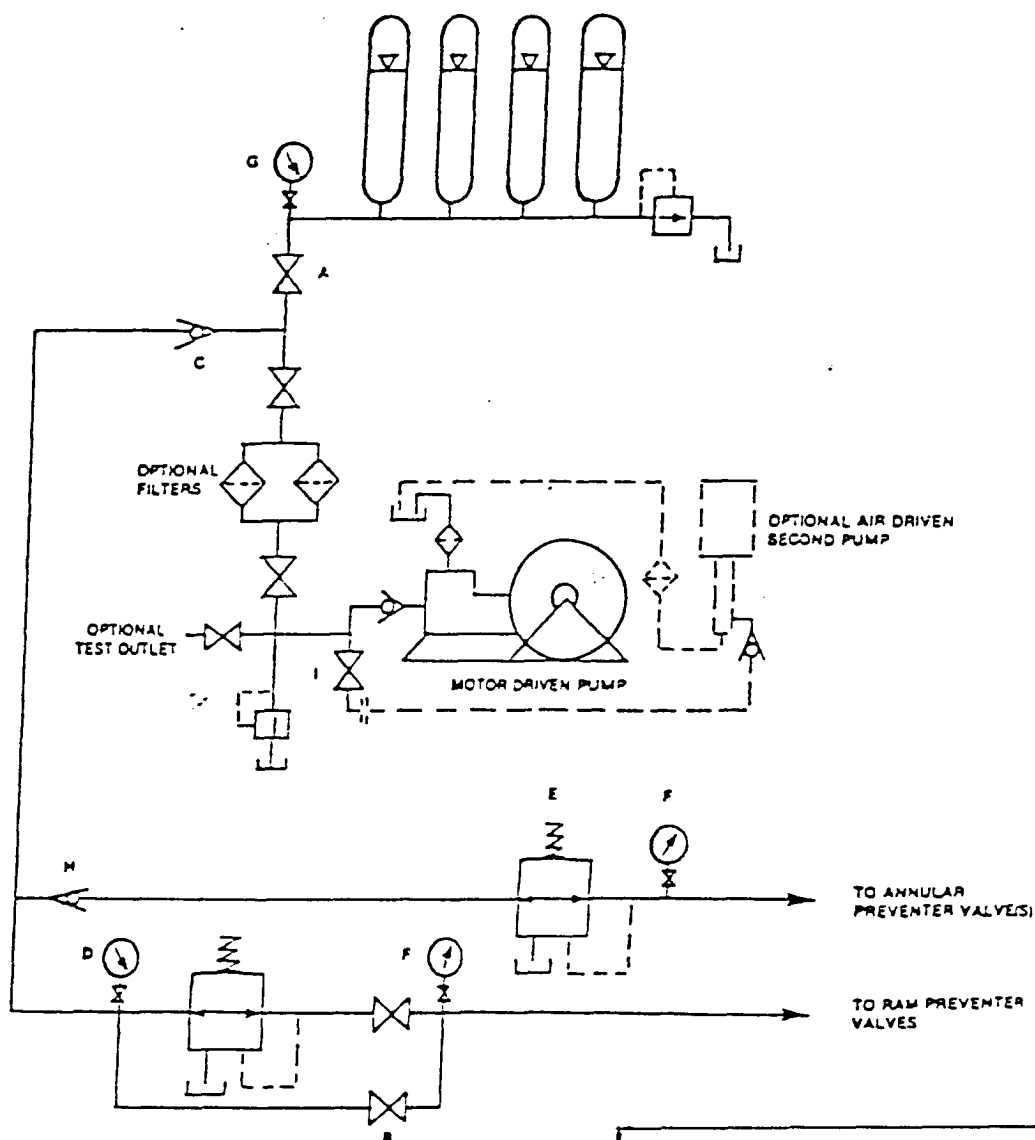


EXHIBIT "E-1"
CHOLE MANIFOLD & CLOSING UNIT

MARALO, LLC.
GOLD RUSH "31" FEDERAL # 4
UNIT "G" SECTION 31
T23S-R30E EDDY CO. NM