



DEPARTMENT OF NATURAL RESOURCES
John W. Hickenlooper, Governor
707 Wapiti Ct. Suite 204
Rifle, CO 81650
Phone: (970) 625-2497
FAX: (970) 625-5682
www.colorado.gov/cogcc

July 25, 2011

Mr. Jim Graves
Maralex Resources, Inc.
P.O. Box 338
Ignacio, Colorado 81137

RE: USA #1-16SC
API Number: 05-077-08435
NWNW 16, T9S, R92W, 6th PM
Mesa County, Colorado

USA #1-17SC
API Number: 05-077-08500
NENW 17, T9S, R92W, 6th PM
Mesa County, Colorado

Dear Mr. Graves:

Colorado Oil and Gas Conservation Commission (COGCC) Staff issued a Notices of Alleged Violation (NOAV's) for the above-referenced wells on January 28, 2011. I understand that Maralex Resources, Inc. sold both wells to Axia Energy, LLC, with an effective Change of Operator date of May 1, 2011. Axia complied with all abatement and corrective action requirements in June and July 2011. The attached NOAV's have been resolved, and no further enforcement action will be taken by COGCC regarding these NOAV's.

Sincerely,

David D. Andrews, P.E., P.G.
Engineering Supervisor

Enclosure

CC: Taryn Frenzel, Axia Energy, LLC



*** NOTICE OF ALLEGED VIOLATION ***

OGCC Operator Number: 53255
Name of Operator: MARALEX RESOURCES, INC
Address: P O BOX 338
City: IGNACIO State: CO Zip: 81137
Company Representative: JIM GRAVES

Date Notice Issued:
01/28/2011

Well Name: USA Well Number: 1-16SC Facility Number: 221833
Location (QtrQtr, Sec, Twp, Rng, Meridian): NWNW 16 9S 92W 6 County: MESA
API Number: 05 077 08435 00 Lease Number: 35898

COGCC Representative: ANDREWS DAVID Phone Number: 970 625-2497 EXT 1

THE FOLLOWING ALLEGED VIOLATION WAS FOUND BY THE COGCC REPRESENTATIVE FOR THE SITE LISTED
Date of Alleged Violation: 11/01/2010 Approximate Time of Violation:
Description of Alleged Violation:
MARALEX RESOURCES, INC. ("OPERATOR") DID NOT PERFORM THE FOLLOWING DURING THE PERIOD FROM 11/1/2009 THROUGH 10/31/2010: 1) TEST WELL FOR PRESSURE AND FLOW AND 2) SUBMIT ANNUAL BRADENHEAD PRESSURE AND FLOW MEASUREMENT RESULTS.

Act, Order, Regulation, Permit Conditions Cited:
COGCC ORDER NO. 1-107

Abatement or Corrective Action Required to be Performed by Operator:*
PERFORM BRADENHEAD PRESSURE AND FLOW TEST AND REPORT RESULTS TO COGCC NO LATER THAN 6/30/2010. TESTING AND REPORTING REQUIREMENTS ARE SUMMARIZED IN THE JULY 8, 2010 BRADENHEAD TEST AREA NOTICE TO OPERATORS (COPY ATTACHED). AN ADDITIONAL BRADENHEAD PRESSURE/FLOW TEST WILL BE REQUIRED FOR THIS WELL IN SUMMER 2011, TO BE REPORTED AS SPECIFIED IN THE NOTICE TO OPERATORS BY 11/1/2011.

Abatement or Corrective Action to be Completed by (date): 06/30/2011
* Proper and timely abatement does not necessarily preclude the assessment of penalties and an Order Finding Violation.

TO BE COMPLETED BY OPERATOR - When alleged violation is corrected, sign this notice and return to above address:
Company Representative Name: Title:
Signature: Date:
Company Comments:

*** THIS NOTICE CONSTITUTES A SEPARATE NOTICE OF ALLEGED VIOLATION FOR EACH VIOLATION LISTED ***

WARNING
Abatement and reporting time frames for Notices of Alleged Violation begin upon receipt of the Notice or five days after the date it is mailed, whichever is earlier. Each violation must be abated within the prescribed time upon receipt of this Notice, reported to the Colorado Oil and Gas Conservation Commission at the address shown above, and postmarked no later than the next business day after the prescribed time for abatement. Should abatement or corrective action fail to occur, the Director may make application to the Commission for an Order Finding Violation. Proper and timely abatement does not necessarily preclude the assessment of penalties and an Order Finding Violation.

PENALTY PROPOSED BY THE DIRECTOR PER RULE 523
The Director may propose a penalty as listed in the table below, not to exceed a maximum of \$1,000.00 per day per violation. Such proposed penalty amount will be limited to \$10,000.00 per violation if the violation does not result in significant waste of oil and gas resources, damage to correlative rights, or a significant adverse impact on public health, safety, or welfare. Such proposed penalty amount may be increased if aggravating factors indicate the violation: was intentional or reckless; had, or threatened to have, a significant negative impact on public health, safety, or welfare; resulted in significant waste of oil and gas resources; had a significant negative impact on correlative rights of other parties; resulted in, or threatened to result in, significant loss or damage to public or private property; involved recalcitrance or recidivism upon the part of the violator; involved intentional false reporting or record keeping; resulted in economic benefit to the violator. Such proposed penalty amount may be decreased if mitigating factors indicate the violator: self-reported; promptly, effectively and prudently responded to the violation; cooperated with the Commission or other agencies with respect to the violation; could not reasonably control, or be responsible for, the cause of the violation; made a good faith effort to comply with applicable requirements prior to the Commission learning of the violation; had any economic benefit reduced or eliminated due the cost of correcting the violation; has demonstrated a history of compliance with Commission rules, regulations and orders. The Commission has final authority over the penalty amount assessed. The Commission or other agencies with respect to the violation; could not reasonably control, or be responsible for, the cause of the violation; made a good faith effort to comply with applicable requirements prior to the Commission learning of the violation; had any economic benefit reduced or eliminated due to the cost of correcting the violation; has demonstrated a history of compliance with Commission rules, regulations, and orders. The Commission has final authority over the penalty amount assessed.
BASE FINE \$500.00 PER DAY PER VIOLATION RULES 210, 307, 311, 312, 313, 314A, 315, 405, 803, 804
BASE FINE \$1,000.00 PER DAY PER VIOLATION: RULES 205, 206, 207, 208, 209, 301, 302, 303, 305, 306, 308, 309, 310, 313A, 316A, 316B, 317, 317A, 317B, 318, 319, 320, 321, 322, 323, 324, 325, 326, 327, 328, 329, 330, 331, 332, 333, 341, 401, 403, 404, 602, 603, 604, 606A, 606B, 607, 608, 703, 704, 705, 706, 707, 708, 709, 711, 712, 802, 805, 901, 902, 903, 904, 905, 906, 907, 908, 909, 910, 911, 912, 1002, 1003, 1004, 1101, 1102, 1103, 1201, 1203, 1204, 1103, 1201, 1203, 1204, 1205

In accordance with Rule 523.a.(4), fines for violations for which no base fine is listed shall be determined by the Commission at its discretion.

Signature of COGCC Representative: David Andrews Date: 01/28/2011 Time: 4:00PM
Resolution Approved by: David Andrews Date: 7/25/2011
WELL PRESSURES REPORTED ON 6/28/11, AND BRADENHEAD TEST PERFORMED ON 7/7/11.

SENDER: COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:

MARALEX RESOURCES INC
ATTN: JIM GRAVES
PO BOX 338
IGNACIO, CO 81137

COMPLETE THIS SECTION ON DELIVERY

A. Signature ☐ Agent
☒ Addressee
B. Received by (Printed Name) C. Date of Delivery
See Hereta 131-11
D. Is delivery address different from item 1? ☐ Yes
If YES, enter delivery address below: ☐ No

3. Service Type ☐ Express Mail
☒ Certified Mail ☐ Return Receipt for Merchandise
☐ Registered ☐ C.O.D.
☐ Insured Mail ☐ Yes

4. Restricted Delivery? (Extra Fee) ☐ Yes

2. Article Number (Transfer from service label) 7010 1870 0002 7959 6260
PS Form 3811, February 2004 Domestic Return Receipt 102595-02-M-1540