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| FORM INSP Rev 05/11 | State of Colorado Oil and Gas Conservation Commission 1120 Lincoln Street, Suite 801, Denver, Colorado 80203 Phone: (303) 894-2100 Fax: (303) 894-2109 |  | DE ET OE ES |
|-------------------------------|--|--|----------------------|

Inspection Date: 06/27/2013

Document Number: 670200600

Overall Inspection: **Violation**

FIELD INSPECTION FORM

| | | | | | |
|---------------------|---------------|---------------|----------------------|---|-------------------|
| Location Identifier | Facility ID | Loc ID | Inspector Name: | On-Site Inspection <input type="checkbox"/> | 2A Doc Num: _____ |
| | <u>210419</u> | <u>322404</u> | <u>BURGER, CRAIG</u> | | |

Operator Information:

OGCC Operator Number: 53255 Name of Operator: MARALEX RESOURCES, INC

Address: P O BOX 338

City: IGNACIO State: CO Zip: 81137

Contact Information:

| Contact Name | Phone | Email | Comment |
|-----------------|--------------|----------------------------|-----------------------|
| Kellerby, Shaun | | Shaun.Kellerby@state.co.us | NW Field Supervisor |
| Azulai, Naomi | 970-563-4000 | naomi@maralexinc.com | Production Technician |

Compliance Summary:

QtrQtr: SENV Sec: 17 Twp: 7S Range: 90W

| Insp. Date | Doc Num | Insp. Type | Insp Status | Satisfactory /Unsatisfactory | PA P/F/I | Pas/Fail (P/F) | Violation (Y/N) |
|------------|-----------|------------|-------------|------------------------------|----------|----------------|-----------------|
| 11/05/2009 | 200221963 | CO | SI | U | | | Y |
| 07/11/2007 | 200116908 | PR | SI | S | I | | N |
| 06/13/2007 | 200113018 | ID | SI | S | I | P | N |
| 08/05/2003 | 200051339 | CO | SI | S | I | F | Y |
| 01/14/2003 | 200039127 | PR | PR | S | | P | N |
| 05/30/2000 | 200007687 | ID | SI | S | | P | N |
| 10/24/1996 | 500142014 | ID | SI | S | | P | N |

Inspector Comment:

Contact COGCC staff and provide schedule for corrective actions required. Submit a form 42 when actions are complete.

Related Facilities:

| Facility ID | Type | Status | Status Date | Well Class | API Num | Facility Name | |
|-------------|------|--------|-------------|------------|-----------|-----------------------|-------------------------------------|
| 210419 | WELL | SI | 04/27/2012 | GW | 045-06175 | BALDY CREEK UNIT 1-17 | <input checked="" type="checkbox"/> |

Equipment: Location Inventory

| | | | |
|------------------------------|------------------------|---------------------|-------------------------|
| Special Purpose Pits: _____ | Drilling Pits: _____ | Wells: _____ | Production Pits: _____ |
| Condensate Tanks: _____ | Water Tanks: _____ | Separators: _____ | Electric Motors: _____ |
| Gas or Diesel Mortors: _____ | Cavity Pumps: _____ | LACT Unit: _____ | Pump Jacks: _____ |
| Electric Generators: _____ | Gas Pipeline: _____ | Oil Pipeline: _____ | Water Pipeline: _____ |
| Gas Compressors: _____ | VOC Combustor: _____ | Oil Tanks: _____ | Dehydrator Units: _____ |
| Multi-Well Pits: _____ | Pigging Station: _____ | Flare: _____ | Fuel Tanks: _____ |

Location

| Signs/Marker: | | | | |
|----------------------|-----------------------------|-------------------------------------|---|------------|
| Type | Satisfactory/Unsatisfactory | Comment | Corrective Action | CA Date |
| WELLHEAD | Unsatisfactory | No sign at wellhead. | Install sign to comply with rule 210.d. | 07/12/2013 |
| TANK LABELS/PLACARDS | Violation | Unlabeled, unused tank on location. | Remove unused tank. | 07/12/2013 |

Emergency Contact Number: (S/U/V) Satisfactory Corrective Date: _____

Comment: _____

Corrective Action: _____

| Good Housekeeping: | | | | |
|---------------------------|-----------------------------|--|---|------------|
| Type | Satisfactory/Unsatisfactory | Comment | Corrective Action | CA Date |
| UNUSED EQUIPMENT | Violation | Unused tank with open side hatch and insulation falling off. Vertical separator that does not appear to be in use on location. | Remove tank. Provide schedule of removal and submit a form 42 when tank has been removed. | 07/12/2013 |
| TRASH | Unsatisfactory | Insulation on ground by unused tank. | Clean up location. | 07/12/2013 |

| Spills: | | | | |
|--|------|--------|-------------------|---------|
| Type | Area | Volume | Corrective action | CA Date |
| <input type="checkbox"/> Multiple Spills and Releases? | | | | |

| Equipment: | | | | | |
|-----------------------------|---|-----------------------------|---|--|------------|
| Type | # | Satisfactory/Unsatisfactory | Comment | Corrective Action | CA Date |
| Horizontal Heated Separator | 1 | Unsatisfactory | Rusted and bullet holes in stack. | Repair and repaint or remove. | 07/12/2013 |
| Pump Jack | 1 | Unsatisfactory | No prime mover, appears to not be in use. | Use equipment or remove from location. | 07/12/2013 |
| Gathering Line | 1 | Satisfactory | | | |
| Bird Protectors | 2 | Satisfactory | | | |
| Gas Meter Run | 1 | Satisfactory | | | |
| Vertical Separator | 1 | Unsatisfactory | Appears to not be in use. | Use equipment or remove from location. | 07/12/2013 |

Facilities: New Tank Tank ID: _____

| | | | | |
|----------|---|----------|-----------|--------|
| Contents | # | Capacity | Type | SE GPS |
| OTHER | 1 | OTHER | STEEL AST | , |

S/U/V: **Unsatisfactory** Comment: Hatch open at side, insulation falling off.

Corrective Action: Remove unused tank. Corrective Date: 07/12/2013

Paint

Condition: _____

Other (Content) _____

Other (Capacity) _____

Other (Type) _____

Berms

| Type | Capacity | Permeability (Wall) | Permeability (Base) | Maintenance |
|------|----------|---------------------|---------------------|-------------|
| | | | | |

Corrective Action: _____ Corrective Date: _____

Comment: no berm

Facilities: New Tank Tank ID: _____

| | | | | |
|----------------|---|----------|------------------|------------------------|
| Contents | # | Capacity | Type | SE GPS |
| PRODUCED WATER | 1 | 500 BBLS | HEATED STEEL AST | 39.446950, -107.468020 |

S/U/V: **Unsatisfactory** Comment: Openings on top of tank not capped.

Corrective Action: Close to atmosphere. Corrective Date: 07/12/2013

Paint

Condition: Adequate

Other (Content) _____

Other (Capacity) _____

Other (Type) _____

Berms

| Type | Capacity | Permeability (Wall) | Permeability (Base) | Maintenance |
|-------|----------|---------------------|---------------------|-------------|
| Earth | Adequate | Walls Sufficient | Base Sufficient | Adequate |

Corrective Action: _____ Corrective Date: _____

Comment: _____

Venting:

| Yes/No | Comment |
|--------|---|
| YES | Produced water tank open to atmosphere. |

Flaring:

| Type | Satisfactory/Unsatisfactory | Comment | Corrective Action | CA Date |
|------|-----------------------------|---------|-------------------|---------|
| | | | | |

Predrill

Location ID: 322404

Site Preparation:

Lease Road Adeq.: _____ Pads: _____ Soil Stockpile: _____
 Corrective Action: _____ Date: _____ CDP Num.: _____

Form 2A COAs:

Comment: _____

CA: _____ **Date:** _____

Wildlife BMPs:

Comment: _____

CA: _____ **Date:** _____

Stormwater:

| Erosion BMPs | Present | Other BMPs | Present |
|--------------|---------|------------|---------|
| | | | |

Corrective Action: _____ Date: _____

Comments: Erosion BMPs: _____
 Other BMPs: _____

Comment: _____

Staking:

On Site Inspection (305):

Surface Owner Contact Information:

Name: _____ Address: _____
 Phone Number: _____ Cell Phone: _____

Operator Rep. Contact Information:

Landman Name: _____ Phone Number: _____
 Date Onsite Request Received: _____ Date of Rule 306 Consultation: _____

Request LGD Attendance: _____

LGD Contact Information:

Name: _____ Phone Number: _____ Agreed to Attend: _____

Summary of Landowner Issues:

Summary of Operator Response to Landowner Issues:

Onsite Inspection Memorandum Summarizing Discussions at Inspection as Attachment:

Facility

Facility ID: 210419 Type: WELL API Number: 045-06175 Status: SI Insp. Status: TA

Idle Well

Purpose: Shut In Temporarily Abandoned Reminder: _____

S/V: Violation CA Date: 07/12/2013

CA: Well must be either: 1) Put on production or 2) Per COGCC Rule 326.b.(1) a successful mechanical integrity test shall be performed on each shut-in well within two (2) years of the initial shut-in date or 3) Be properly plugged and abandoned . Shut-in and temporarily abandoned wells must be properly reported on COGCC Form 7, Operator's Monthly Production Report.

Comment: Last production in 2009. Two year date to produce or MIT the well has passed.

Environmental

Spills/Releases:

Type of Spill: _____ Description: _____ Estimated Spill Volume: _____

Comment:

Corrective Action: _____ Date: _____

Reportable: _____ GPS: Lat _____ Long _____

Proximity to Surface Water: _____ Depth to Ground Water: _____

Water Well:

DWR Receipt Num: _____ Owner Name: _____ GPS : _____ Lat _____ Long _____

Field Parameters:

Sample Location:

Complaint:

| Tracking Num | Category | Assigned To | Description | Incident Date |
|--------------|--------------------|-------------------|--|---------------|
| 200221234 | ORPHANED EQUIPMENT | BAROUMAND, SORAYA | BLM has requested that the decommissioned storage tank be removed, in addition to miscellaneous equipment no longer in use be removed. | 10/29/2009 |
| 200221234 | RECLAMATION | BAROUMAND, SORAYA | BLM has requested that the small enclosed pit be drained, filled, and seeded; followed by fence removal. | 10/29/2009 |
| 200221234 | TANK BATTERY | BAROUMAND, SORAYA | BLM has requested that the replacement tank needs secondary containment. | 10/29/2009 |
| 200221234 | WEEDS | BAROUMAND, SORAYA | BLM has requested the removal or/and control of noxious weeds (bull & canadian thistle and hounds tongue). | 10/29/2009 |

Emission Control Burner (ECB): N

Comment: _____

Pilot: _____ Wildlife Protection Devices (fired vessels): YES

Reclamation - Storm Water - Pit

Interim Reclamation:

Date Interim Reclamation Started: _____ Date Interim Reclamation Completed: _____

Land Use: _____

Comment: Steep cut slope at west side of location needs to be reclaimed.

1003a. Debris removed? _____ CM _____

CA _____ CA Date _____

Waste Material Onsite? _____ CM _____

CA _____ CA Date _____

Unused or unneeded equipment onsite? _____ CM _____

CA _____ CA Date _____

Pit, cellars, rat holes and other bores closed? _____ CM _____

CA _____ CA Date _____

Guy line anchors removed? _____ CM _____

CA _____ CA Date _____

Guy line anchors marked? _____ CM _____

CA _____ CA Date _____

1003b. Area no longer in use? _____ Production areas stabilized? _____

1003c. Compacted areas have been cross ripped? _____

1003d. Drilling pit closed? _____ Subsidence over on drill pit? _____

Cuttings management: _____

1003e. Areas no longer needed for drilling or subsequent operations for have been re-vegetated to 80% of pre-existing? _____

Production areas have been stabilized? _____ Segregated soils have been replaced? _____

RESTORATION AND REVEGETATION

Cropland

Top soil replaced _____ Recontoured _____ Perennial forage re-established _____

Non-Cropland

Top soil replaced _____ Recontoured _____ 80% Revegetation _____

1003 f. Weeds Noxious weeds? _____

Comment: _____

Overall Interim Reclamation

Final Reclamation/ Abandoned Location:

Date Final Reclamation Started: _____ Date Final Reclamation Completed: _____

Final Land Use: _____

Reminder: _____

Comment: _____

Well plugged _____ Pit mouse/rat holes, cellars backfilled _____

Debris removed _____ No disturbance /Location never built _____

Access Roads Regraded _____ Contoured _____ Culverts removed _____

Gravel removed _____

Location and associated production facilities reclaimed _____ Locations, facilities, roads, recontoured _____

Compaction alleviation _____ Dust and erosion control _____

Non cropland: Revegetated 80% _____ Cropland: perennial forage _____

Weeds present _____ Subsidence _____

Comment: _____

Corrective Action: _____ Date _____

Overall Final Reclamation _____ Multi-Well Location

| Storm Water: | | | | | | |
|---------------------|-----------------|-------------------------|-----------------------|---------------|--------------------------|---------|
| Loc Erosion BMPs | BMP Maintenance | Lease Road Erosion BMPs | Lease BMP Maintenance | Chemical BMPs | Chemical BMP Maintenance | Comment |
| | | Seeding | Pass | | | |
| Seeding | Pass | Culverts | Pass | | | |
| Ditches | Pass | Ditches | Pass | | | |

S/U/V: Satisfactory Corrective Date: _____

Comment: _____

CA: _____