



DEPARTMENT OF NATURAL RESOURCES
John W. Hickenlooper, Governor
796 Megan Avenue, Suite 201
Rifle, CO 81650
Phone: (970) 625-2497
FAX: (970) 625-5682
www.colorado.gov/cogcc

August 22, 2013

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

RE: Rifle Walton #25-2
API Number: 05-045-06290
SENW 25, T7S, R91W, 6th PM
Garfield County, Colorado

Dear Mr. Graves:

Colorado Oil and Gas Conservation Commission (COGCC) Staff issued a Notice of Alleged Violation (NOAV) for the above-referenced well on August 3, 2011. Maralex Resources, Inc. complied with all abatement and corrective action requirements, and the associated COGCC Environmental Project has been closed. The attached NOAV has been resolved, and no further enforcement action will be taken by COGCC regarding this NOAV.

Sincerely,

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

Enclosure

FORM
NOAV
Rev 8/99

State of Colorado
Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801, Denver, Colorado 80203 (303) 894-2100 Fax: (303) 894-2109



FOR OGCC USE ONLY
8/3/2011
200317021

*** 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:
8/3/2011

Well Name: RIFLE WALTON Well Number: 25-2 Facility Number: 210534
Location (QtrQtr, Sec, Twp, Rng, Meridian): SENW 25 7S 91W 6 County: GARFIELD
API Number: 05 045 06290 00 Lease Number: 12471

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: 6/23/2011 Approximate Time of Violation:
Description of Alleged Violation:
High bradenhead pressure gradient at surface casing shoe (setting depth of 309') may have broken down the cement at the shoe or the underlying formation, potentially resulting in a release of gas or other produced fluids, which could migrate to shallow groundwater or nearby surface water. Venting off pressure is not feasible considering that the bradenhead access will produce water quickly after opening the valve.

Act, Order, Regulation, Permit Conditions Cited:
Rule 317.d. and Rule 324A.a.

Abatement or Corrective Action Required to be Performed by Operator:*
Submit Form 4 (Sundry Notice, Notice of Intent) with operator's proposed production casing cement remediation procedures, which shall be designed to: 1) eliminate gas flows at their source(s), 2) eliminate water flows at their source(s), and 3) provide cement coverage across the surface casing shoe. Collect a gas sample (if possible) and a water sample from the bradenhead discharge. Analyze samples of the vented gas (composition, including H2S), and water (dissolved methane, major cations, major anions, and BTEX). Submit Form 27 (Site Investigation and Remediation Workplan) within 30 days. Attach the bradenhead sample analytical data and describe the operator's proposed investigation workplan to evaluate potential impacts to groundwater and surface water from possible breakdown of the surface casing shoe. The workplan shall address all items identified in the attached environmental abatement requirements FNV-1 through FNV-7
Abatement or Corrective Action to be Completed by (date): 9/3/2011
* 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 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.
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
BASE FINE \$250.00 PER DAY PER VIOLATION: RULES 210, 307, 311, 312, 313, 314A, 315, 403, 405, 803, 804
BASE FINE \$500.00 PER DAY PER VIOLATION: RULES 205, 208, 207, 208, 302, 308, 309, 310, 318A, 321, 322, 328, 329, 330, 331, 332, 401
BASE FINE \$750.00 PER DAY PER VIOLATION: RULES 605, 608A, 608B, 607
BASE FINE \$1,000.00 PER DAY PER VIOLATION: RULES 209, 301, 303, 305, 308, 316B, 317, 317A, 318, 319, 320, 323, 324, 325, 326, 327, 333, 404, 602, 603, 604, 703, 704, 705, 708, 707, 708, 709, 711, 802, 801, 802, 803, 804, 805, 808, 807, 808, 909, 910, 911, 912, 1002, 1003, 1004, 1101, 1102, 1103
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: 8/3/2011 Time: 4:00PM
Resolution Approved by: David Andrews Date: 8/22/2013
RESOLVED: REM #6681 CLOSED ON 8/21/2013. BRADENHEAD VENTING IS SUBJECT TO THE CONDITIONS OF APPROVAL ON SUNDRY NOTICE, COGCC DOCUMENT NO. 2203007.

**COGCC ENVIRONMENTAL ABATEMENT REQUIREMENTS TO BE
INCORPORATED INTO A SITE INVESTIGATION WORKPLAN FOR NOTICE OF
ALLEGED VIOLATION NOS. 200317017, 200317021, AND 200317022**

ENV-1) COLLECT SAMPLES FOR LABORATORY ANALYSIS FROM THE DOMESTIC WATER WELLS LOCATED WITHIN ½ MILE OF THE SUBJECT GAS WELL. WATER SAMPLE ANALYSIS MUST INCLUDE DISSOLVED METHANE, BTEX, MAJOR ANIONS AND CATIONS. IF THE CONCENTRATION OF DISSOLVED METHANE IS >1.1 MG/L, COLLECT A SAMPLE FOR ANALYSIS OF GAS COMPOSITION AND OF THE STABLE ISOTOPES OF METHANE.

ENV-2) CONDUCT DOCUMENTED VISUAL MONITORING OF ALL NEARBY CREEKS AND ALL OTHER SURFACE STREAMS AND PONDS FOR PRESENCE NATURAL GAS, AIR, OR OTHER GAS BUBBLES.

ENV-3) COLLECT ANALYTICAL SAMPLES FOR ANALYTICAL SUITE IDENTIFIED IN ENV-1 FROM ALL SURFACE WATER BODIES AND ALL WELLS IDENTIFIED IN ENV-1 AND ENV-2, IF VISUAL MONITORING INDICATES THE PRESENCE NATURAL GAS OR FORCED AIR BUBBLES IN SURFACE WATER

ENV-4) IF VISUAL MONITORING OR ANY OTHER OBSERVATION INDICATES THE PRESENCE NATURAL GAS, AIR, OTHER GAS OR FLUID DISCHARGING INTO SURFACE WATER OR GROUND, NOTIFY COGCC STAFF AND LANDOWNER AS SOON AS PRACTICAL, BUT NO LATER THAN 24 HOURS AFTER OBSERVATION

ENV-5) IF VISUAL MONITORING OR ANY OTHER OBSERVATION INDICATES THE PRESENCE OF NATURAL GAS, AIR, OTHER GAS, OR FLUID DISCHARGING INTO SURFACE WATER OR GROUND WATER, SUBMIT THE CHEMICAL INVENTORY (REFER TO RULE 205.C) TO THE COGCC AS SOON AS PRACTICAL, BUT NO LATER THAN 24 HOURS AFTER OBSERVATION.

ENV-6) IF VISUAL MONITORING OR ANY OTHER OBSERVATION INDICATES THE PRESENCE OF NATURAL GAS, AIR, OTHER GAS, OR FLUID DISCHARGING INTO SURFACE WATER OR GROUND WATER, COLLECT SAMPLES FOR LABORATORY ANALYSIS FROM SURFACE WATER BODIES AND ALL WELLS IDENTIFIED IN ENV -1 AND ENV -2. THE SAMPLES SHALL BE ANALYZED FOR THE PARAMETER LIST IDENTIFIED IN ENV -1 AND OTHER PARAMETERS AGREED TO BASED ON THE CHEMICAL INVENTORY OR OTHER PROCESS KNOWLEDGE.

ENV-7) PROVIDE A SCHEDULE AND LOCATIONS FOR VISUAL MONITORING OF SURFACE WATER BODIES, INCLUDING IDENTIFYING NAMES AND REACHES OF THE WATER BODY OR SURFACE WATER STREAM PROPOSED FOR MONITORING. THE SCHEDULE WILL BE APPROVED BY COGCC STAFF PRIOR TO INITIATION OF FIELD ACTIVITIES.

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: DORIS NEY
P.O. BOX 338
IGNACIO, CO 81137

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent
 [Signature] Addressee

B. Received by (Printed Name) Date of Delivery
SPC HERRERA *8-5-11*

D. Is delivery address different from item 1? Yes
If YES, enter delivery address below: No

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

4. Restricted Delivery? (Extra Fee) Yes

2. Article Number:
(Transfer from service label)

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