

**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



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Inspection Date:

06/18/2013

Document Number:

671000003

Overall Inspection:

Violation**FIELD INSPECTION FORM**

Location Identifier	Facility ID	Loc ID	Inspector Name:	On-Site Inspection
	391314	391314	LUJAN, CARLOS	<input type="checkbox"/> 2A Doc Num: _____

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
Conway, Kacey	970-244-3033	kconway@blm.gov	BLM
Azulai, Naomi	970-563-4000	naomi@maralexinc.com	Production Technician
Graves, Jim	970-858-8550	mrinc20@qwestoffice.net	Operations Manager
Lujan, Carlos	970-625-2497 ext 7	Carlos.Lujan@state.co.us	EPS, NW Region
Ohare, Mickey	970-563-4000	amohare@maralexinc.com	President Maralex
Fischer, Alex	303-894-2100 ext 5130	Alex.Fischer@state.co.us	Supervisor Western Region
Ventling, Catherine	970-244-3009	cventling@blm.gov	Acting Assistant Field Manager, Lands & Minerals

Compliance Summary:

QtrQtr: NESE Sec: 36 Twp: 8S Range: 98W

Inspector Comment:

Site Visits: First visit: 06/18/2013 COGCC: Alex Fischer, Carlos Lujan Second visit: 07/18/2013 COGCC: Alex Fischer, Carlos Lujan BLM: Cathy Ventling, Kacey Conway, Maralex: Leeland C., Naomi Azulai, Dennis Reimers, Mickey O'Hare, Jim Graves Pit Facility ID: 116525 (not permitted Centralized E&P Waste Management Facility ID: 43509). Central Evaporation Pit Location ID: 391314 API 077 08743 (Sulphur Gulch 8-98-36 – Abandoned Location) SE Corner of Pit: Lat 39.313473 Long -108.27139 COGCC Operator Number: 53255 Name of Operator: MARALEX RESOURCES, INC Contact Information: Ohare, Mickey 970-563-4000 amohare@maralexinc.com President Graves, Jim 970-858-8550 mrinc20@qwestoffice.net Operations Manager Azulai, Naomi 970-563-4000 naomi@maralexinc.com Production Technician Fischer, Alex 303-894-2100 ext 5130 Alex.Fischer@state.co.us Supervisor Western Region Lujan, Carlos 970-625-2497 ext 7 Carlos.Lujan@state.co.us EPS, NW Region Ventling, Catherine 970-244-3009 cventling@blm.gov Acting Assistant Field Manager, Lands & Minerals Conway, Kacey 970-244-3033 kconway@blm.gov BLM

Related Facilities:

Facility ID	Type	Status	Status Date	Well Class	API Num	Facility Name
261485	WELL	AL	06/05/2003	LO	077-08743	SULFUR GULCH 8-98-36 1

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: _____

Inspector Name: LUJAN, CARLOS

Location

Emergency Contact Number: (S/U/V) _____

Corrective Date: _____

Comment: _____

Corrective Action: _____

Spills:

Type	Area	Volume	Corrective action	CA Date
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☐ Multiple Spills and Releases?

Venting:

Yes/No	Comment
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Flaring:

Type	Satisfactory/Unsatisfactory	Comment	Corrective Action	CA Date
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Predrill

Location ID: 391314

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:****Environmental****Spills/Releases:**

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

Comment: _____

Corrective Action: _____ Date: _____

Reportable: _____ GPS: Lat _____ Long _____

Inspector Name: LUJAN, CARLOS

Proximity to Surface Water: _____

Depth to Ground Water: _____

Water Well:

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

Field Parameters:

Sample Location: _____

Emission Control Burner (ECB): _____

Comment: _____

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

Reclamation - Storm Water - Pit

Interim Reclamation:

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

Land Use: _____

Comment: _____

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? _____

Inspector Name: LUJAN, CARLOS

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
<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>	<input type="text"/>

S/U/V:

Corrective Date:

Comment:

CA:

COGCC Comments

Comment	User	Date
<p>COMPLIANCE SUMMARY: (SEE COMPLIANCE DATES)</p> <p>Location: Tank Labels/Placards: Unsatisfactory (as of 06/18/2013). Install sign to comply with rule 210.b., 210.c., 210.d. Compliance date: Sept 16, 2013</p> <p>Good Housekeeping: Weeds: Violation. Weeds growing on pit perimeter and through liner must be removed. Comply with rules 603.j and 1003.f Compliance date: Sept 16, 2013</p> <p>Facilities: Produced Water Tank Capacity: 210 bbl, Steel AST Paint: adequate Berms: earth; permeability walls: sufficient (lined); Permeability base: unknown; Maintenance: adequate Berms/earth (Pit): erosion issues. Berm needs to be stabilized</p> <p>Spills/Releases:</p>	Iujanc	08/13/2013

A spill occurred before June 11, 2010 (120 cubic yards were excavated from storm water channel and under former AST on that date).
REM# 5681, Doc # 2213334 Remediation Work Plan.
Material was landfarmed and supposedly disposed at the South Canyon Landfill. As of July 30, 2013, Maralex has not provided the manifests (they have been requested in order to close the project).
Compliance Date: Aug 28, 2013

Reclamation – Storm Water – Pit

These items need to be addressed on a Form 27 by Sept 16, 2013

Interim Reclamation:

The pit has been out of operation for more than a year. Rule 1003 b says explicitly that all disturbed areas affected by drilling or subsequent operations, shall be reclaimed as early and as nearly as practicable to their original condition or their final land used, except areas reasonably needed for production operations to be commenced within twelve (12) months.

Debris removed: Fail. Debris/trash at the bottom of the pit.

Waste material onsite: valve wrench, weeds, debris, trash in bottom of pit.

Area no longer in use? Pit has not been used for 2 to 3 years

Storm water

Local Erosion. Must be stabilized

Observations:

1) COGCC Database shows that the operator is Piute Energy CO. The Roan Creek Evaporation pond was constructed in 1999, and acquired by Maralex few years later. Maralex submitted a Form 10 to change the operator name in July 2010 (after the 2nd inspection). Name has been changed recently via Form 10.

- Maralex has been out of compliance for 4 years (since the Memo of Understanding between BLM and COGCC, dated July 1st, 2009) for not reporting the change of operator to COGCC.

2) Maralex has been operating the pit without permit. Maralex should have submitted a Form 15 to operate a production pit or a Form 28 to get an E&P Waste Management Permit. Maralex did not submit a Form 15. Maralex submitted a Form 28 in May 2011 that was rejected.

- This is a second issue in which Maralex is out of compliance. (See Rule 335. COGCC Form 15. PIT CONSTRUCTION REPORT/PERMIT.)

3) The pit has been out of service for two to three years, exposed to the elements (wind, heat, UVs). During the first visit, the pit was dry. The bottom of the pit was covered with salty sediment (white material), and sludge. Debris, junk, and weeds transported by the wind were observed mostly on the south west section of the pond.

- Maralex has been out of compliance for one, two or more years. Rule 1003 b says explicitly that all disturbed areas affected by drilling or subsequent operations, shall be reclaimed as early and as nearly as practicable to their original condition or their final land used ..., except areas reasonably needed for production operations to be commenced within twelve (12) months. Maralex did not remediate and backfilled the pit, which constitute a 3rd violation of COGCC's Rules.

4) The perimeter of the pad had been leveled. Weeds and plants are growing on the perimeter/underneath the lining. Erosion is observed mostly on the eastern side of the pond. Some channeling/holes were observed as well.

5) The liner has been compromised on the northwest perimeter. The northeast wall of the pit presents more than 60 patches. It is suspected that the lining flapping when the wind is strong may have debilitated and damaged the lining particularly where the wall is not smooth (rocks). According to Maralex, the pit is double lined with 4-inches of sand between the liners. According to Maralex, the 60 plus penetrations are believed to be a result of bullets being shot through the liner(s). Maralex stated that the patches are tested visually.

6) The liner is torn in places on top of the berm possibly due to equipment being dragged on the liner. Note: there were signs of tire tracks and equipment on the liner.

7) The leak detection system installed underneath the pit bottom drains toward a sump tank on the north side of the pond. No water was observed on the tank but the pit has been empty for years. The BLM stated that the original sump was metal that corroded and

Maralex has yet to complete an investigation regarding impacts from potential release(s) as a result of the corroded sump.

8) Fence around pit is in disrepair at the northeast corner of the pit.

9) Water line from tank to pit is supported on the berm with an approximate 2" by 4" by 1 foot board. This is unacceptable and properly engineered support systems shall be implemented.

10) There is not enough space on the perimeter of the pond to comply with COGCC Rules regarding buffer and fire hazard. Rules state a 10 foot buffer is needed for the liner and another 10 foot buffer from the edge of the facility boundary, for mitigating fire hazard. Potential 20 foot buffer from liner (10' no-veg at liner adjacent to 10' mowed grass strip) would meet the total buffer needed and allow for vegetation on the pond slopes but a variance would be required.

11) The Temporary Use Area permitted for the bioremediation project is no longer in use and will need to be reclaimed.

Conclusions:

- Maralex needs to present a copy of the manifests to demonstrate that remaining impacted material was disposed at the South Canyon landfill, in order to close the remediation project (REM # 5681).

- Maralex must submit a Form 27 to close the pit. The Work Plan must include sampling the bottom of the pit. There must be sufficient boring locations to get a good representation of the pit bottom conditions. The conditions of the liner exposed to the natural elements for a period of two to three years (empty pit), the more than sixty patched holes on the northeast wall and the holes opened for the environmental investigation are strong reasons to remove the liner.

- It is COGCC staff's opinion that the pit liner(s) be cleaned, thoroughly inspected, and replaced in accordance to the 900 Series Rules, and certified by a Professional Engineer. Prior to placing the pit in service, a hydrostatic test using fresh water will be required.

Note: If Maralex elects to re-use the liner(s):

Maralex may have the pit liner integrity tested and certified by a Professional Engineer with expertise in the field; have a lining company certify the good conditions of the lining material and demonstrate that the leak detection system is functional before presenting its case to the Commission and obtain approval to re-use the liner. COGCC's staff does not support putting the pit in service under current conditions.

- After completing the pit closure investigation, Maralex will have to submit a Form 28 to get COGCC's approval if they want to use the pond as a Centralized E&P Waste management Facility.

Carlos Lujan, Ph.D.
EPS, Norwest Region
COGCC
July 30, 2013
August 14, 2013