



FACILITY #418038
RECEIVED 5/15/2014

United States Department of the Interior

BUREAU OF LAND MANAGEMENT
Colorado River Valley Field Office
2300 River Frontage Road
Silt, Colorado 81652



IN REPLY REFER TO:

COC-035218
288104

May 15, 2014

CERTIFIED MAIL NO: 7012 2210 0001 5070 4929
Return Receipt Requested

NOTICE OF NONCOMPLIANCE

Maralex Resources Inc.
Attn: Mickey O'Hare
P.O. Box 338
Ignacio, Colorado 81137

Dear Mr. O'Hare:

This is a formal notification that Maralex is in noncompliance with the stipulations of right-of-way grant COC-035218, for the Garfield II Unit Evaporation Pond located on public land administered by the Bureau of Land Management, Colorado River Valley Field Office (BLM) in Garfield County, Colorado.

The following items were found to be in noncompliance with the grant, originally issued to Piute Energy on January 27, 1983, and later assigned to Maralex Resources Inc. on October 25, 1996, from Tamarack Energy, Inc.

1. Maralex does not have a COGCC permit for the Garfield II Unit Evaporation Pond as per Standard Stipulation #4. Standard Stipulation #4 specifies that the holder shall comply with applicable State standards for health and safety, environmental protection and siting, construction, operation and maintenance, if these State standards are more stringent than Federal standards for similar projects.
2. Recorded entries on the disposal log show that there were three produced water disposals from two non-permitted well sources (Baldy Creek 1-17 API# 0504506175 with 60 bbls on 7/23/2013 and USA 1-20 API# 0507708371 with 80 bbls on 12/29/13 and 160 bbls on 12/30/13) as per Special Stipulation #3. Special Stipulation #3 of the right-of-way grant specifies written approval must be received from the authorized officer prior to disposal from wells or sources other than those outlined under item 7, Project Description, IV General Notes, part C (Rifle Boulton #1, Federal 6-27-7-91, and Hoffmeister-Rogers 15-20-7-91). Authorization for disposal of produced water from two wells (Federal 26-3 and Rifle Walton 25-2) within the Garfield II Unit, both of which were not on the original approval, was given by BLM in July 1985.

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3. Compliance checks on 8/23/13, 3/21/2014, and 3/26/2014 showed that the 300 bbl tank was not on location as specified in the right-of-way grant as per Special Stipulation #8. Special Stipulation # 8 of the right-of-way grant specifies that the grant is subject to the conditions included on the application specifications, except as modified in the aforementioned stipulations.

You are hereby notified that we will not renew the expired right-of-grant unless the following conditions are met.

1. **Effective immediately**, all operations shall cease at the Garfield II Unit Evaporation Pond until the 300 bbl tank is installed and used to separate hydrocarbons and any solids prior to entering the pond. Once the 300 bbl tank is installed, Maralex shall not dispose of any produced water from a non-permitted source without specific authorization, in writing, from the BLM.
2. **Within 30 days of receipt of notice**, Maralex shall provide BLM copies of state permit and application submittals including COGCC Form 2A, Form 15, and Form 27.
3. **Within 90 days of receipt of notice**, Maralex shall provide BLM a copy of COGCC Form 28 to be submitted for use of the facility beyond three years, including any required attachments.

If Maralex does not comply with the requirements outlined in this letter, the right-of-way will not be renewed and you will be required to decommission the facility, remove all developments and rehabilitate the site prior to December 1, 2014.

This decision may be appealed to the Interior Board of Land Appeals, Office of the Secretary, in accordance with the regulations contained in 43 CFR, Part 4 and the enclosed Form 1842-1. If an appeal is taken, your notice of appeal must be filed in this office (at the above address) and to the U.S. Department of the Interior, Office of the Solicitor within 30 days from receipt of this decision. The appellant has the burden of showing that the decision appealed from is in error.

If you wish to file a petition (request) pursuant to regulation 43 CFR 2801.10 or 43 CFR 2881.10 for a stay (suspension) of the effectiveness of this decision during the time that your appeal is being reviewed by the Board, the petition for a stay must accompany your notice of appeal. A petition for a stay is required to show sufficient justification based on the standards listed below. Copies of the notice of appeal and petition for a stay must also be submitted to each party named in this decision and to the Interior Board of Land Appeals and to the appropriate Office of the Solicitor (see 43 CFR 4.413) at the same time the original documents are filed with this office. If you request a stay, you have the burden of proof to demonstrate that a stay should be granted.

Standards for Obtaining a Stay

Except as otherwise provided by law or other pertinent regulation, a petition for a stay of a decision pending appeal shall show sufficient justification based on the following standards:

- (1) The relative harm to the parties if the stay is granted or denied,
- (2) The likelihood of the appellant's success on the merits,
- (3) The likelihood of immediate and irreparable harm if the stay is not granted, and
- (4) Whether the public interest favors granting the stay.

If you have any questions or concerns, please contact Monte Senor, Realty Specialist, at (970) 876-9067.

Sincerely,

A handwritten signature in dark ink, appearing to read "Allen B. Crockett", with a long, sweeping horizontal line extending to the right.

Allen B. Crockett, PhD., J.D.
Supervisory Natural Resource Specialist

Enclosure
BLM Form 1842-1

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

INFORMATION ON TAKING APPEALS TO THE INTERIOR BOARD OF LAND APPEALS

DO NOT APPEAL UNLESS

1. This decision is adverse to you,
AND
2. You believe it is incorrect

IF YOU APPEAL, THE FOLLOWING PROCEDURES MUST BE FOLLOWED

1. NOTICE OF
APPEAL.....

A person who wishes to appeal to the Interior Board of Land Appeals must file in the office of the officer who made the decision (not the Interior Board of Land Appeals) a notice that he wishes to appeal. A person served with the decision being appealed must transmit the *Notice of Appeal* in time for it to be filed in the office where it is required to be filed within 30 days after the date of service. If a decision is published in the FEDERAL REGISTER, a person not served with the decision must transmit a *Notice of Appeal* in time for it to be filed within 30 days after the date of publication (43 CFR 4.411 and 4.413).

2. WHERE TO FILE

NOTICE OF APPEAL..... U.S. Department of Interior, Bureau of Land Management, Colorado River Valley Field Office, 2300 River Frontage Rd
Silt, CO 81652

WITH COPY TO
SOLICITOR..... U.S. Department of the Interior, Office of the Solicitor

3. STATEMENT OF REASONS

Within 30 days after filing the *Notice of Appeal*, file a complete statement of the reasons why you are appealing. This must be filed with the United States Department of the Interior, Office of Hearings and Appeals, Interior Board of Land Appeals, 801 N. Quincy Street, MS 300-QC, Arlington, Virginia 22203. If you fully stated your reasons for appealing when filing the *Notice of Appeal*, no additional statement is necessary (43 CFR 4.412 and 4.413).

WITH COPY TO
SOLICITOR..... U.S. Department of the Interior, Office of the Solicitor

4. ADVERSE PARTIES.....

Within 15 days after each document is filed, each adverse party named in the decision and the Regional Solicitor or Field Solicitor having jurisdiction over the State in which the appeal arose must be served with a copy of: (a) the *Notice of Appeal*, (b) the Statement of Reasons, and (c) any other documents filed (43 CFR 4.413).

5. PROOF OF SERVICE.....

Within 15 days after any document is served on an adverse party, file proof of that service with the United States Department of the Interior, Office of Hearings and Appeals, Interior Board of Land Appeals, 801 N. Quincy Street, MS 300-QC, Arlington, Virginia 22203. This may consist of a certified or registered mail "Return Receipt Card" signed by the adverse party (43 CFR 4.401(c)).

6. REQUEST FOR STAY.....

Except where program-specific regulations place this decision in full force and effect or provide for an automatic stay, the decision becomes effective upon the expiration of the time allowed for filing an appeal unless a petition for a stay is timely filed together with a *Notice of Appeal* (43 CFR 4.21). If you wish to file a petition for a stay of the effectiveness of this decision during the time that your appeal is being reviewed by the Interior Board of Land Appeals, the petition for a stay must accompany your *Notice of Appeal* (43 CFR 4.21 or 43 CFR 2801.10 or 43 CFR 2881.10). A petition for a stay is required to show sufficient justification based on the standards listed below. Copies of the *Notice of Appeal* and Petition for a Stay must also be submitted to each party named in this decision and to the Interior Board of Land Appeals and to the appropriate Office of the Solicitor (43 CFR 4.413) at the same time the original documents are filed with this office. If you request a stay, you have the burden of proof to demonstrate that a stay should be granted.

Standards for Obtaining a Stay. Except as otherwise provided by law or other pertinent regulations, a petition for a stay of a decision pending appeal shall show sufficient justification based on the following standards: (1) the relative harm to the parties if the stay is granted or denied, (2) the likelihood of the appellant's success on the merits, (3) the likelihood of immediate and irreparable harm if the stay is not granted, and (4) whether the public interest favors granting the stay.

Unless these procedures are followed, your appeal will be subject to dismissal (43 CFR 4.402). Be certain that all communications are identified by serial number of the case being appealed.

NOTE: A document is not filed until it is actually received in the proper office (43 CFR 4.401(a)). See 43 CFR Part 4, Subpart B for general rules relating to procedures and practice involving appeals.

43 CFR SUBPART 1821-GENERAL INFORMATION

Sec. 1821.10 Where are BLM offices located? (a) In addition to the Headquarters Office in Washington, D.C. and seven national level support and service centers, BLM operates 12 State Offices each having several subsidiary offices called Field Offices. The addresses of the State Offices can be found in the most recent edition of 43 CFR 1821.10. The State Office geographical areas of jurisdiction are as follows:

STATE OFFICES AND AREAS OF JURISDICTION:

Alaska State Office ----- Alaska
Arizona State Office ----- Arizona
California State Office ----- California
Colorado State Office ----- Colorado
Eastern States Office ----- Arkansas, Iowa, Louisiana, Minnesota, Missouri
and, all States east of the Mississippi River
Idaho State Office ----- Idaho
Montana State Office ----- Montana, North Dakota and South Dakota
Nevada State Office ----- Nevada
New Mexico State Office ----- New Mexico, Kansas, Oklahoma and Texas
Oregon State Office ----- Oregon and Washington
Utah State Office ----- Utah
Wyoming State Office ----- Wyoming and Nebraska

(b) A list of the names, addresses, and geographical areas of jurisdiction of all Field Offices of the Bureau of Land Management can be obtained at the above addresses or any office of the Bureau of Land Management, including the Washington Office, Bureau of Land Management, 1849 C Street, NW, Washington, DC 20240.

(Form 1842-1, September 2006)