



October 3, 2014

A.M. O'Hare, President
Maralex Resources, Inc.
P.O. Box 338
Ignacio, CO 81137

RE: Katie Eileen 34-7-35 #2, COGCC Facility ID #311960
Denial of of Approval of Form 27 Submitted September 8, 2014

Dear Mr. O'Hare,

The Colorado Oil and Gas Conservation Commission (COGCC) has received and reviewed the Form 27, Site Investigation and Remediation Workplan, for the unlined pit at the above-referenced Oil and Gas Location in La Plata County, Colorado. The Form 27 as submitted is not approved.

A site inspection (COGCC Document # 674900002) on April 11, 2014 documented an unlined pit at the location of the Katie Eileen 34-7-35 #2 well. According to COGCC records, the Katie Eileen 34-7-35 #2 well was completed on May 14, 1996, with no indication of the closure the drilling pit. COGCC Rules 901, 902, 905, and 1003 specify the requirements for pit closure. Exploration and production (E&P) waste shall be managed in accordance to COGCC 900 Series Rules, in particular Rule 907.

The Form 27 states the following:

- "The State has inspected and analyzed the soil in the pit with two samples."
- "The State has found no evidence of contamination beyond an elevated SAR."
- "There is no evidence of contaminants in the pit except for high SAR."

While the COGCC did collect grab samples of material contained in the pit, the COGCC did not conduct a characterization for the absence or presence of potential impact from the use of the Pit Facility, nor were the contents of the pit completely characterized.

The Form 27 also states:

- "The pit was not closed upon well completion because the landowner took ownership of the pit."



- "The pit is used now by the landowner and the landowner intends on continued use of the pit."
- "The pit is currently in use by the landowner and there is no remediation anticipated at this time."

While COGCC Rule 1001.c. does allow for a surface owner waiver of certain provisions of Rules 1002, 1003, and 1004, it does so with the express limitation that the Operator is not relieved from the requirements of the 900 Series Rules. Drilling pit closure is required under Rule 905.a. and proper E&P waste disposal is required by Rule 907. Any waivers under Rule 1001.c. must demonstrate that compliance with such rules is not necessary to protect public health, safety, and welfare, including prevention of significant environmental impacts.

Within 30 days of receipt of this letter, submit a revised Form 27 which addresses the following:

1. Remove fluids, if any, from the pit as soon as practicable. Documentation of the volume of fluids disposed and location(s) of disposal must be provided to COGCC.
2. Provide a summary of past use and current use of the Pit Facility.
3. Characterize the E&P Waste contents of the pit. E&P Waste shall not be allowed to remain in the pit in exceedence of Table 910-1 standards.
4. Complete a sensitive area determination in accordance with COGCC Rule 901.e. to demonstrate that no impacts to surface or groundwater have occurred. If impacts are identified through this process, a supplemental Form 27 shall be submitted with a plan to fully investigate and remediate the impacts.
5. Discrete soil samples shall be collected from the bottom of the pit and along sidewalls to adequately characterize whether an impact has occurred. Composite samples will NOT be accepted for this purpose. Samples shall be analyzed for the constituents listed in Table 910-1.
6. Notify the COGCC at least 72 hours, prior to conducting sampling, investigation, and remedial activities. Notifications shall be made to Alex Fischer (alex.fischer@state.co.us 303-894-2100 x5138) and Jim Hughes (jimo.hughes@state.co.us 970-903-4072) by email or phone.

Based upon the results of the completed investigations and remediation, if necessary, the Operator may file for a variance in accordance with 502.b. for final pit closure, interim reclamation and final reclamation as necessary for the surface owner to maintain the pit for uses other than oil and gas related activities.

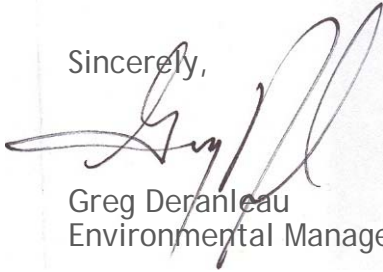
Mr. A.M. O'Hare

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Since the work at this Oil and Gas Location is subject to current COGCC enforcement action, please continue to correspond regarding enforcement matters to COGCC's representative at the Attorney General's office, Mari Deminski. For technical questions regarding this letter or future investigations and workplans, please contact me or Alex Fischer, Western Environmental Supervisor.

Sincerely,

A handwritten signature in black ink, appearing to read 'Greg D', is written over a light gray rectangular background.

Greg Deranleau
Environmental Manager

cc. Alex Fischer - Western Environmental Supervisor, COGCC
Matt Lepore - Director, COGCC
Mari Deminski - Assistant Attorney General, Natural Resources and
Environment Section
Naomi Azulai - Production Technician, Maralex Resources, Inc. (via
email)

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
RECEIVED
SEP 08 2014
OGCC
OGCC Employee
☐ Spill ☐ Complaint
☐ Inspection ☐ NOAV
Tracking No:

SITE INVESTIGATION AND REMEDIATION WORKPLAN

This form shall be submitted to the Director for approval prior to the initiation of site investigation and remediation activities. Form 27 is intended to be used whenever possible. Additional documentation will be required when large volumes of soil and groundwater have been impacted or involve large facilities with multiple source areas. See Rule 910. Attach as many pages as needed to fully describe the proposed work.

CAUSE OF CONDITION BEING INVESTIGATED AND REMEDIATED

☐ Spill or Release ☐ Plug & Abandon ☐ Central Facility Closure ☐ Site/Facility Closure ☒ Other (describe): Pit Closure

OGCC Operator Number: 53255	Contact Name and Telephone:
Name of Operator: Maralex Resources, Inc.	Naomi Azulai
Address: PO Box 338	No: 970-563-4000
City: Ignacio State: CO Zip: 81137	Fax: 970-563-4116
API Number: 05-067-08014	County: La Plata
Facility Name:	Facility Number: none
Well Name: Katie Eileen 34-7-35	Well Number: 2
Location: (QtrQtr, Sec, Twp, Rng, Meridian): SWSE Sec 35 T34N R7W 6PM Latitude: 37.1430 Longitude: -107.5742	

TECHNICAL CONDITIONS

Type of Waste Causing Impact (crude oil, condensate, produced water, etc): Drill Cuttings

Site Conditions: Is location within a sensitive area (according to Rule 901e)? ☐ Y ☒ N If yes, attach evaluation.

Adjacent land use (cultivated, irrigated, dry land farming, industrial, residential, etc.): non-cropland

Soil type, if not previously identified on Form 2A or Federal Surface Use Plan: Arboles clay 3 to 12 percent slopes

Potential receptors (water wells within 1/4 mi, surface waters, etc.): 310' from Spring Creek

Description of Impact (if previously provided, refer to that form or document):

Impacted Media (check):	Extent of Impact:	How Determined:
<input checked="" type="checkbox"/> Soils	Inside Pit	COGCC
<input type="checkbox"/> Vegetation		
<input type="checkbox"/> Groundwater		
<input type="checkbox"/> Surface Water		

REMEDIALTION WORKPLAN

Describe initial action taken (if previously provided, refer to that form or document):

The State has inspected and analyzed the soil in the pit with two samples. The pit was not closed upon well completion because the landowner took ownership of the pit.

Describe how source is to be removed:

The State has found no evidence of contamination beyond an elevated SAR. The pit is used now by the landowner and the landowner intends on continued use of the pit.

Describe how remediation of existing impacts is to be accomplished, including removal and disposal at an injection well or licensed facility, land treatment on site, removal of impacted groundwater, insitu bioremediation, burning of oily vegetation, etc.:

There is no evidence of contaminants in the pit except for high SAR. The pit is currently in use by the landowner and there is no remediation anticipated at this time.



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REMEDIATION WORKPLAN (Cont.)

Tracking Number: _____
Name of Operator: _____
OGCC Operator No: _____
Received Date: _____
Well Name & No: _____
Facility Name & No: _____

OGCC Employee: _____

If groundwater has been impacted, describe proposed monitoring plan (# of wells or sample points, sampling schedule, analytical methods, etc.):
not applicable

Describe reclamation plan. Discuss existing and new grade recontouring; method and testing of compaction alleviation; and reseeding program, including location of new seed, seed mix and noxious weed prevention. Attach diagram or drawing. Use additional sheet for description if required.
not applicable

Attach samples and analytical results taken to verify remediation of impacts. Show locations of samples on an onsite schematic or drawing.

Is further site investigation required? ☐ Y ☒ N If yes, describe:

Final disposition of E&P waste (landtreated and disposed onsite, name of licensed disposal facility, recycling, reuse, etc.):
not applicable

IMPLEMENTATION SCHEDULE

Date Site Investigation Began: 4/11/2014 Date Site Investigation Completed: _____ Date Remediation Plan Submitted: 9/8/2014
Remediation Start Date: _____ Anticipated Completion Date: n/a Actual Completion Date: _____

I hereby certify that the statements made in this form are, to the best of my knowledge, true, correct, and complete. .

Print Name: Naomi Azulai Signed: _____
Title: Production Technician Date: 9/8/2014

OGCC Approved: **NOT APPROVED** Title: _____ Date: _____

Katie Eileen 34-7-35 #2

&

Katie Eileen 34-7-35 #3

