



December 19, 2014

Certified Mail Return Receipt Requested
Receipt Number: 7014 0510 0002 0093 8923

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

RE: Katie Eileen 34-7-35 #2, COGCC Location ID #311960
Conditional Approval of Form 27 Submitted December 9, 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 is conditionally approved. Please note, the attached Conditions of Approval (COA) include important information on timelines and specific requirements for various provisions of the Site Investigation and Remediation Workplan. Also note that the request for a variance from final reclamation is not granted by this conditional Form 27 approval.

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. While the COGCC did collect grab samples of material contained in the pit during their site inspection, 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.

P 303.894.2100 F 303.894.2109 www.colorado.gov/cogcc

Commissioners: Thomas L. Compton - Chairman, Richard Alward, John H. Benton, DeAnn Craig,
James W. Hawkins, Tommy Holton, Andrew L. Spielman, Mike King, Dr. Larry Wolk

John W. Hickenlooper, Governor | Mike King, Executive Director, DNR | Matthew J. Lepore, Director

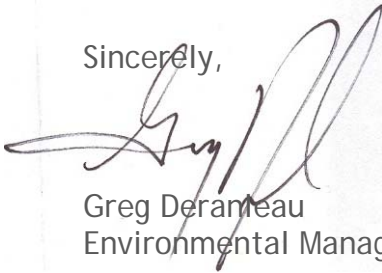


Mr. A.M. O'Hare
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While COGCC Rule 1001.c. does allow for a surface owner waiver of certain provisions of Rules 1002, 1003, and 1004, it does so with the express limitation that the Operator is not relieved from the requirements of the 900 Series Rules. 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.

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, Britta Beckstead. For technical questions regarding this letter or future investigations and workplans, please contact me or Alex Fischer, Western Environmental Supervisor.

Sincerely,



Greg Derameau
Environmental Manager

cc. Alex Fischer - Western Environmental Supervisor, COGCC
Matt Lepore - Director, COGCC
Jim Hughes, EPS SW, COGCC
Britta Beckstead - Assistant Attorney General, Natural Resources and Environment
Section
Naomi Azulai - Production Technician, Maralex Resources, Inc. (via email)



COLORADO
Oil & Gas Conservation
Commission
Department of Natural Resources



01642185

FORM
27
Rev 6/99State 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

Rec. 12/9/14

REM 8840

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.

OGCC Employee:

☐ Spill ☐ Complaint
☐ Inspection ☐ NOAV

Tracking No:

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

Name of Operator: Maralex Resources, Inc.

Address: PO Box 338

City: Ignacio State: CO Zip: 81137

Contact Name and Telephone:

Naomi Azulai

No: 970-563-4000

Fax: 970-563-4116

API Number: 05-067-08014

County: La Plata

Facility Name:

Facility Number: none Location ID: 311960

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): None

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):



Soils



Vegetation



Groundwater



Surface Water

Extent of Impact:

Inside Pit

How Determined:

COGCC

REMEDIATION 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 four samples. The pit was not closed upon well completion because the landowner resumed control of the pit. The plan that is proposed in this form is filed under protest. Maralex acknowledges that it does not have jurisdiction, and on behalf of the landowner, is not conceding that the COGCC has jurisdiction over the pit. Maralex intends on appealing COGCC Order Finding Violation No. 1V-489, based on the fact that Maralex has never acquired or owned any interest or had control over the pit on this site. The proposed plan is imposed by the COGCC. This pit has been used since 1996 by the landowner for watering livestock.

Describe how source is to be removed:

The fluids in the pit will be allowed to evaporate or consumed by landowners' livestock.

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. If evidence of contamination is found through further testing, the contaminated soils will be removed from the pit and landfarmed on site according to the following parameters and with the approval of the landowner: The affected soil will be placed on plastic sheeting to a loose depth no greater than 3' as indicated by using a device on the surface of the liner designating depth. The area required will be determined by the volume of soil excavated from the pit. The area is calculated by dividing the volume of soil by 3' deep. A composite sample of the full Table 910-1 parameters will be analyzed for a baseline when the soil is first excavated. The soil will be cultivated monthly with a small tracked backhoe or by manually operated equipment and the facility will be regularly inspected during routine site visits.

Submit Page 2 with Page 1

FORM
27
Rev 6/99

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



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REMEDIATION WORKPLAN (Cont.)

Tracking Number: _____

Name of Operator: Maralex

OGCC Operator No: 53255

Received Date: 12/9/14

Well Name & No: Kotia Eileen 34-7-35#2

Facility Name & No: Location ID: 31960

OGCC Employee: _____

If groundwater has been impacted, describe proposed monitoring plan (# of wells or sample points, sampling schedule, analytical methods, etc.):

It is not believed groundwater or surface water is impacted; however, a sensitive area determination will be conducted and submitted to the COGCC assessing possible impacts that may have affected the surface or ground water. If impacts are identified then a supplemental Form 27 will be submitted with a plan to fully investigate and remediate the impacts.

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.

On behalf of the landowner, Maralex is requesting a variance to allow the pit to continue to be used for livestock watering ponds.

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:

The soils in the pit will be analyzed by taking discrete soil samples from the bottom and sidewalls of the pit to verify that they do not exceed Table 910-1 constituent limits. Background samples will also be collected for comparison of values that typically exceed Table 910-1 values. The COGCC will be given 48 hour notice of sampling.

Final disposition of E&P waste (landtreated and disposed onsite, name of licensed disposal facility, recycling, reuse, etc.):

Pit contents that conform to Table 910-1 parameters will remain in the possession of the landowner to dispose of as seen fit. If remediation of the pit contents is required, then the impacted contents that are removed from the pit will be landtreated and, once parameters test under Table 910-1 limits, turned over to the landowner for use as he deems appropriate.

IMPLEMENTATION SCHEDULE

Date Site Investigation Began: 4/11/2014

Date Site Investigation Completed: _____

Date Remediation Plan Submitted: 12/9/2014

Remediation Start Date: _____

Anticipated Completion Date: _____

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: A.M. O'Hare, P.E.

Signed: _____

Title: President

Date: 12/9/2014

OGCC Approved: _____

Title: Env. Sup.

Date: 12/15/14

Conditionally Approved. See Attached Conditions of Approval.

Maralex Resources Inc., Katie Eileen 34-7-35 #2 Pit Closure, SWSE Section 35 T34N R7W, N PM, La Plata County, Colorado, Form 27 Conditions of Approval (COAs)

Conditions of Approval:

Conditionally approved, however, additional information or activities may be required during the course of remediation. Specifically, the following guidance, revised from Document #2141843, dated 10/3/14 shall be adhered to as COAs. Work shall be commenced no later than 30 days following receipt of these COAs as documented by certified mail receipt.

PIT

1. Remove fluids, if any, from the pit within 30 days following receipt of these COAs. Documentation of the volume of fluids disposed and location(s) of disposal must be provided to COGCC within 30 days of completion of fluids removal. If no fluids are mechanically removed due to evaporation or consumption by livestock, it shall be so noted on the Remediation Project Final Report (See COA #8, below).
2. Provide a summary of past use and current use of the Pit Facility. The summary shall include construction date, size and intended use, actual use including dates of discharge into pit, contents of pit, removal or remediation of pit, date of discontinued use of pit for oil and gas purposes, any deed or title information indicating a transfer of ownership or responsibility for the pit.
3. An adequate number of discrete samples shall be collected to characterize the contents of the pit. Waste characterization samples shall be collected from multiple depths (at a minimum near surface and near total depth) within the pit and multiple areas within the pit footprint. Exploration and production (E&P) Waste with constituents in excess of Table 910-1 standards shall not be allowed to remain in the pit. E&P Waste of any kind shall not be transported off site for beneficial use elsewhere without prior approval of a Waste Management Plan per Rule 907.c.
4. Complete a sensitive area determination in accordance with COGCC Rule 901.e. At a minimum, the sensitive area determination shall address:
 - Depth to shallow groundwater in the immediate vicinity of the facility;
 - Topography of the area;
 - Vegetation type in the area, noting hydrophytic vegetation that would suggest the presence of surface water flow for sustained periods;
 - Surface water features/Waters of the State/Surface Water Supply Areas within 0.25 miles;
 - Seeps or springs;
 - Intermittent drainages;
 - Water wells within 0.25 miles, including details of well use (domestic, public water supply, irrigation, etc.) and depths to water;
 - Wetlands determination (USGS and NWI);

- Storm Water run on/run off analysis (potential for pit overflow due to precipitation, causing impacts to nearby drainages or surface water bodies);
- Underlying soil type and hydraulic conductivity;
- Local geologic features such as the presence of fractures, clay lenses, etc, underlying the facility;
- Underlying unconfined aquifer or recharge zone; and
- Flood zone (determine if facility is within 100 year floodplain);
- Additionally a restricted surface occupancy area determination should be made, and a determination of sensitive wildlife habitats, endangered species, and potential for the presence of migratory routes should be made.

If impacts to soil, groundwater, or surface water are identified through this process, a supplemental Form 27 shall be submitted with a plan to fully investigate and remediate the impacts.

5. As indicated on the Form 27 submitted on December 9, 2014, discrete soil samples shall be collected from the bottom and along the sidewalls of the pit in native material to demonstrate that no impact from the pit occurred or to adequately characterize if 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. All sample locations shall be documented and provided to COGCC in the Remediation Project Final Report.

6. Notify the COGCC at least 48 hours, but no more than 96 hours, prior to onsite 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.

7. E&P Waste that exceeds table 910-1 standards and that will be managed or treated onsite, shall be managed in an area with perimeter berming to prevent stormwater run-on and run-off, on an impermeable liner, and shall be protected from dust generation. Land treatment of E&P waste shall be conducted only within the boundaries of the Oil and Gas Location without the express written consent of the surface owner.

8. The operator shall submit a Remediation Project Final Report documenting completion of the remediation project as conditionally approved herein within 90 days of completion of work activities. The report shall fully document compliance with applicable COGCC Rules and these COAs.

9. The Form 27 (Document #1642185) is conditionally approved; however, additional information or activities may be required during the course of closure and/or remediation.

Comments:

Conditional approval of this Site Investigation and Remediation Workplan does not grant a variance allowing the Operator use of the pit for livestock watering.

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.