

ABADIE | SCHILL

a professional corporation

LON W. ABADIE*
ANDREW SCHILL*
WILLIAM E. ZIMSKY*
DARIN C. SAVAGE*

2012 FEB 29 PM 2:47
ASSEMBLED IN
GA, NM, UT
FILED
*ND, NE, OR
EPA REGION 8
HEARING CLERK
GA, LA, D.C.
OR, CA, CO Pending

Sent Via FedEx Overnight

February 28, 2012

Regional Hearing Clerk
U.S. Environmental Protection Agency Region 8
1595 Wynkoop Street (8RC)
Denver, CO 80202

RE: Respondent's Pre-Hearing Exchange
In the Matter of Maralex Disposal, LLC
Docket No. SDWA-08-2011-0079

Dear Regional Hearing Clerk:

Enclosed please find an original and one copy of Maralex Disposal, LLC's Pre-Hearing Exchange. Additionally, I have enclosed an extra first page of the Pre-Hearing Exchange. Please date stamp the extra copy of the first page of the Pre-Hearing Exchange and return it to me in the enclosed, self-addressed, stamped envelope.

If you have any questions or concerns please do not hesitate to contact our office at (970) 385-4401.

Best regards,



Elise Albosta
Paralegal

cc: James H. Eppers, Esq. (w/encl.; via overnight delivery)

2012 FEB 29 PM 2:47

UNITED STATES
ENVIRONMENTAL PROTECTION AGENCY
REGION 8

FILED
EPA REGION VIII
HEARING CLERK

Docket No. WDWA-0802011-0079

In the Matter of:

Maralex Disposal, LLC)
)
)
 Respondent)
)
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RESPONDENT'S PRE-HEARING EXCHANGE

Respondent, Maralex Disposal, LLC ("Maralex"), by and through its undersigned counsel, William E. Zimsky, Abadie & Schill, P.C., submits its Pre-Hearing Exchange pursuant to 40 C.F.R. § 22.19 and Regional Presiding Office Elyana Sutin's Order dated December 28, 2011.

A. WITNESSES

1. Dennis R. Reimers
Engineering Manager
Maralex Disposal, LLC
775 Goddard Avenue
Ignacio, CO 81337

Mr. Reimers is a petroleum engineer and is the Engineering Manager for Maralex. Mr. Reimers was responsible for the operation of the Ferguson # 1 Well since the time it became operational through August 2010 at which time Christi Reid took over the supervision of this well.

Mr. Reimers will testify as a fact witness and as an expert witness at the hearing. Mr. Reimers will testify regarding his interactions and communications with Nathan Wiser of the EPA with respect to Mr. Wiser's field inspections of the Ferguson # 1 Well, including a field inspection conducted in 2009, the May 5, 2010 field inspection and the May 26, 2010 field inspection.

Mr. Reimers will testify regarding his letter of July 6, 2010 (Complainant's Exhibit 11) that Maralex sent to Mr. Wiser in response to Mr. Wiser's June 7, 2010 (Complainant's Exhibit 10) and the steps that Maralex took to obtain the approval of the EPA regarding the proposed testing set forth in Mr. Reimers' July 6, 2010 letter.

Mr. Reimers will testify regarding his conversations with Sarah Roberts that occurred on May 3, 2011 that she summarized in Complainant's Exhibit 16. Mr. Reimers will testify that he disagrees with Ms. Roberts summary of their conversations that occurred on that date and will testify as to the content of those conversations.

Mr. Reimers will also testify about his interview on June 22, 2011 by two special agents with the EPA Criminal Investigation Division, Mark C. Goodwin, II and Tamara Solari, who came to his home unannounced at roughly 8:00 p.m. to interrogate him regarding the Annual Disposal/Injection Well Monitoring Report dated February 15, 2011.

Mr. Reimers will also testify as an expert witness about the mechanical integrity tests conducted on December 14, 2006 and November 29, 2011, as reflected in Respondent's Exhibits A and D, respectively.

Mr. Reimers will also testify as an expert witness that during the time that he supervised the operation of the Ferguson # 1 Well, the well never lost mechanical integrity as that term is

defined in at 40 C.F.R. § 146.8. Mr. Reimers may use a wellhead diagram as a demonstrative exhibit to assist in his testimony.

Mr. Reimers is qualified as an expert in this field as set forth in his resume that is attached hereto as Respondent's Exhibit F.

2. Christi Reid
Engineer
Maralex Disposal, LLC
775 Goddard Avenue
Ignacio, CO 81337

Ms. Reid is a petroleum engineer for Maralex.

Ms. Reid will testify as a fact witness and as an expert witness at the hearing. Ms. Reid will testify that she took charge of the Ferguson # 1 well in August 2010. Ms. Reid will also testify about the April 13, 2011 field inspection conducted by Sarah Roberts. Ms. Reid will testify about her conversation with Sarah Roberts on April 13, 2011 during the field inspection in which Ms. Reid asked Ms. Roberts why the EPA had not responded to Maralex's proposed testing set forth in the July 6, 2010 letter (Complainant's Exhibit 11) from Mr. Reimers to either approve or object to the proposed testing. Ms. Reid will testify that Ms. Roberts informed Ms. Reid during that conversation that the EPA did not as a matter of practice approve any testing proposed by an operator and that she would confirm to Maralex in writing that the EPA did not approve such proposed testing. Ms. Reid will testify that Maralex never received any such written confirmation from Ms. Roberts or anyone at the EPA.

Ms. Reid will testify as an expert witness regarding the workover and mechanical integrity testing that occurred in May 2011 that is reflected in Complainant's Exhibit 17 and in

Respondent's Exhibit B. She will also testify regarding the work over performed in May, June and July, 2011 and the mechanical integrity test that occurred on July 6, 2011 that is reflected in Respondent's Exhibit C. Ms. Reid may use a wellhead diagram as a demonstrative exhibit to assist in her testimony.

Ms. Reid will also testify as an expert that from the time she took over the operation of the Ferguson # 1 Well in August 2010, the well never lost mechanical integrity as that term is defined in at 40 C.F.R. § 146.8.

Ms. Reid is qualified as an expert in this field as set forth in her resume that is attached hereto as Respondent's Exhibit G.

3. A. M. O'Hare
Managing Member
Maralex Disposal, LLC
775 Goddard Avenue
Ignacio, CO 81337

Mr. O'Hare is a petroleum engineer and the Managing Member of Maralex.

Mr. O'Hare will be a fact witness and an expert witness at the hearing. Mr. O'Hare will testify as a fact witness about ownership of Maralex Disposal, LLC, including its assets and liabilities and profitability and will discuss the Income Statements and Balance Sheets for December 31, 2008; December 31, 2009; December 31, 2010 as reflected in Respondent's Exhibit E.

Mr. O'Hare will testify as a fact witness about Maralex's response to the EPA's communications regarding the annulus pressure readings for the Ferguson No. 1 Well and as an expert witness with respect to Maralex's efforts to discover the cause of those readings.

Mr. O'Hare will also testify as an expert regarding the mechanical integrity of the Ferguson # 1 Well and will explain the annulus pressure readings for that well. Mr. O'Hare will also testify as an expert that the Ferguson # 1 Well never lost mechanical integrity as that term is defined in at 40 C.F.R. § 146.8. Mr. O'Hare may use a diagram of the wellhead as a demonstrative exhibit to assist in his testimony.

Mr. O'Hare is qualified as an expert in this field as set forth in his resume that is attached hereto as Respondent's Exhibit H.

4. Doris K. Ney
Production Technician
Maralex Disposal, LLC
775 Goddard Avenue
Ignacio, CO 81337

Ms. Ney is a Production Technician for Maralex. Ms. Ney will testify as a fact witness at the hearing. Ms. Ney will testify that she completed the Annual Disposal/Injection Well Monitoring Report dated February 15, 2011 (Complainant's Exhibit 12). Ms. Ney will testify that she reported the maximum PSIG for the casing annulus pressure as zero based upon the acceptance of the EPA of prior filings (2007 – 2009) of this form and the fact that this information was voluntary and not required.

B. EXHIBITS

In addition to the Exhibits identified by the Complainant, the Respondent identifies the following exhibits:

- A. Documents related to the work over and results of mechanical integrity test performed on the Ferguson # 1 Well conducted on December 14, 2006.

- B. Documents related to the rework and results of mechanical integrity test performed on the Ferguson # 1 Well conducted on May 24, 2011 and related Completion-Workover-Daily Work Reports.
- C. Completion-Workover-Daily Work Reports dated May 25-27; June 29, July 1, 5 and 6 and results of mechanical integrity test for the Ferguson # 1 Well performed on July 6, 2011.
- D. Documents related to the results of mechanical integrity test performed on the Ferguson # 1 Well conducted on November 29, 2011.
- E. Maralex Disposal, LLC Income Statements and Balance Sheets for December 31, 2008; December 31, 2009; December 31, 2010.
- F. Resume of Dennis Reimers.
- G. Resume of Christi Reid.
- H. Resume of A.M. O'Hare.

Respondent's experts will use a diagram of the wellhead as a demonstrative exhibit. That diagram will be provided to Complainant's counsel in advance of the hearing.

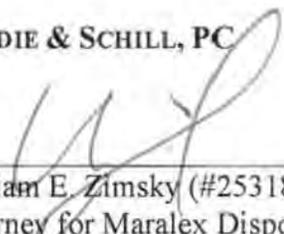
Respondent reserves the right to present additional exhibits as needed for impeachment and rebuttal.

C. Location of the Prehearing Conference and the Hearing

Respondent submits that the Prehearing Conference can be held by telephone. Respondent requests that the hearing be held in Durango, Colorado since all of the witnesses for the Respondent reside in La Plata County and the complained of actions allegedly took place in La Plata County, Colorado.

Dated this 28th day of February, 2012.

ABADIE & SCHILL, PC

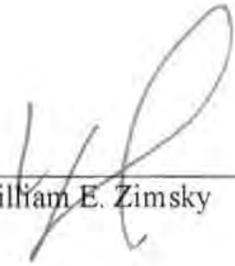


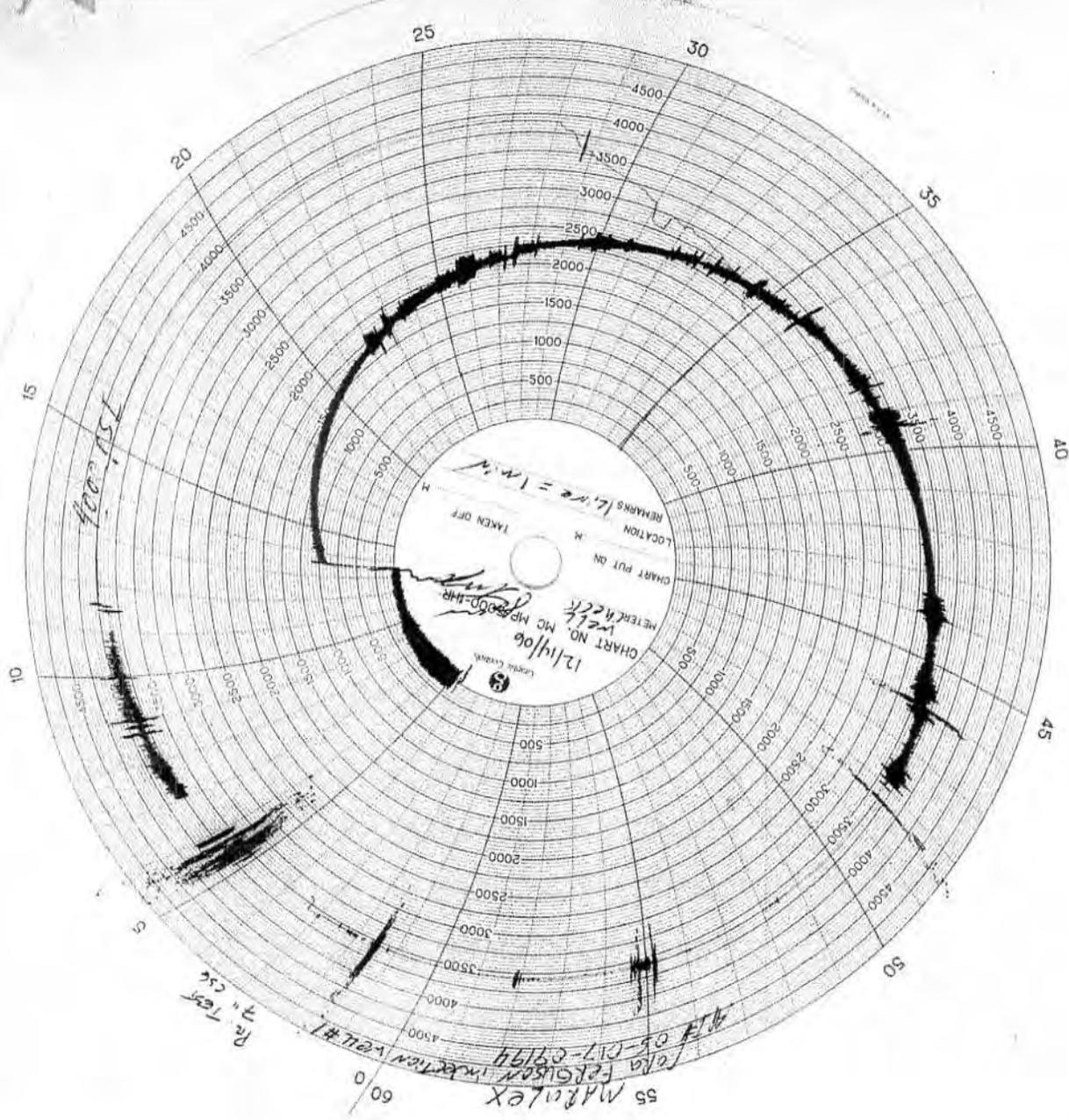
William E. Zimsky (#25318)
Attorney for Maralex Disposal, LLC
1099 Main Avenue, Suite 315
Durango, CO 81301
Phone: (970) 385-4401
Email: wez@durangolaw.biz

CERTIFICATE OF SERVICE

I hereby certify that the original and one true copy of this **RESPONDENT'S PRE-HEARING EXCHANGE** was sent on February 28, 2012 via overnight delivery, on February 29, 2012 to the Regional Hearing Clerk, EPA Region 8, 1595 Wynkoop Street, Denver, Colorado, and that a true copy was sent via Certified Mail; Return Receipt Requested to Complainant's counsel at the following address:

James H. Eppers
Senior Enforcement Attorney
U.S. EPA – Region 8
1595 Wynkoop Street,
Denver, CO 80202

By: 
William E. Zimsky





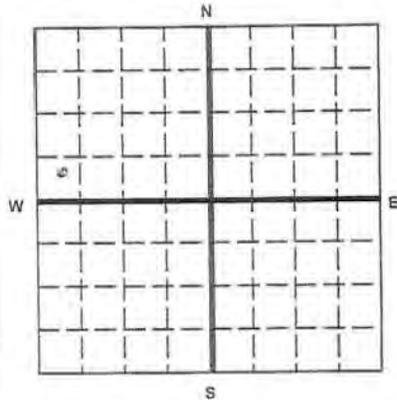
United States Environmental Protection Agency
Washington, DC 20460

WELL REWORK RECORD

Name and Address of Permittee
Maralex Disposal, LLC
P.O. Box 338, Ignacio, CO 81137

Name and Address of Contractor
Triple P
1200 Mission Ave., Farmington, NM 87401

Locate Well and Outline Unit on Section Plat - 640 Acres



State Colorado County La Plata Permit Number CO21011-06908

Surface Location Description
1/4 of SW 1/4 of SW 1/4 of NW 1/4 of Section 32 Township 33n Range 9w

Locate well in two directions from nearest lines of quarter section and drilling unit
Surface Location: 2126 ft. from (N/S) N Line of quarter section and 520 ft. from (E/W) W Line of quarter section.

WELL ACTIVITY <input checked="" type="checkbox"/> Brine Disposal <input type="checkbox"/> Enhanced Recovery <input type="checkbox"/> Hydrocarbon Storage	Total Depth Before Rework 8986'	TYPE OF PERMIT <input checked="" type="checkbox"/> Individual <input type="checkbox"/> Area Number of Wells 1 Well Number 1
	Total Depth After Rework 8986'	
Lease Name Dara Ferguson Injection	Date Rework Commenced 05/11/2011	Date Rework Completed 05/24/2011

WELL CASING RECORD -- BEFORE REWORK

Casing		Cement		Perforations		Acid or Fracture Treatment Record
Size	Depth	Sacks	Type	From	To	
13-3/8"	737'	670	65/35 VPO			
10-3/4"	3568'	710	65/35 VPO			
7"	8986'	1655	50/50 VPO	7914'	8842'	

WELL CASING RECORD -- AFTER REWORK (Indicate Additions and Changes Only)

Casing		Cement		Perforations		Acid or Fracture Treatment Record
Size	Depth	Sacks	Type	From	To	

DESCRIBE REWORK OPERATIONS IN DETAIL
USE ADDITIONAL SHEETS IF NECESSARY

WIRE LINE LOGS, LIST EACH TYPE

Repaired leak in tubing. Performed MIT on 5/24/11. Tested casing pressure. Results as follows: 8:35 a.m. 1050 psi; 8:40 1049 psi; 8:45 1049 psi; 8:50 1035 psi; 8:55 1035 psi; 9:00 1035 psi; 9:05 1035 psi

Log Types	Logged Intervals

Certification

I certify under the penalty of law that I have personally examined and am familiar with the information submitted in this document and all attachments and that, based on my inquiry of those individuals immediately responsible for obtaining the information, I believe that the information is true, accurate, and complete. I am aware that there are significant penalties for submitting false information, including the possibility of fine and imprisonment. (Ref. 40 CFR 144.32)

Name and Official Title (Please type or print)

Chrisit Reid, Engineer

Signature

Date Signed

05/24/2011

Mechanical Integrity Test

Casing or Annulus Pressure Mechanical Integrity Test

U.S. Environmental Protection Agency
Underground Injection Control Program
999 18th Street, Suite 200 Denver, CO 80202-2466

EPA Witness: N/A Date: 5 / 24 / 2011
 Test conducted by: Christi Reid, Maralex Disposal
 Others present: A. M. O'Hare, Maralex Disposal

Well Name: <u>Dara Ferguson Injection Well</u>	Type: ER <u>(SWD)</u>	Status: <u>(AC)</u> TA UC
Field: <u>Ignacio Blanco/38300</u>		
Location: <u>NE/SW/SW/NW</u> Sec: <u>32</u> T <u>33</u> <u>(N)</u> S R <u>9</u> E <u>(W)</u>	County: <u>La Plata</u>	State: <u>Colorado</u>
Operator: <u>Maralex Disposal, LLC</u>		
Last MIT: <u> </u> / <u> </u> / <u> </u>	Maximum Allowable Pressure: <u>2000</u>	PSIG

Is this a regularly scheduled test? [] Yes [] No
 Initial test for permit? [] Yes [] No
 Test after well rework? [] Yes [] No
 Well injecting during test? [] Yes [] No If Yes, rate: _____ bpd

Pre-test casing/tubing annulus pressure: _____ psig

MIT DATA TABLE	Test #1	Test #2	Test #3
TUBING PRESSURE			
Initial Pressure	0 psig	psig	psig
End of test pressure	0 psig	psig	psig
<u>(CASING)</u> TUBING ANNULUS PRESSURE			
0 minutes	1050 psig	psig	psig
5 minutes	1049 psig	psig	psig
10 minutes	1049 psig	psig	psig
15 minutes	1035 psig	psig	psig
20 minutes	1035 psig	psig	psig
25 minutes	1035 psig	psig	psig
30 minutes	1035 psig	psig	psig
_____ minutes	psig	psig	psig
_____ minutes	psig	psig	psig
RESULT	[<input checked="" type="checkbox"/>] Pass [] Fail	[] Pass [] Fail	[] Pass [] Fail

Does the annulus pressure build back up after the test? [] Yes [] No

MECHANICAL INTEGRITY PRESSURE TEST

Additional comments for mechanical integrity pressure test, such as volume of fluid added to annulus and bled back at end of test, reason for failing test (casing head leak, tubing leak, other), etc.:

Signature of Witness: Christie Reid / John

OFFICE USE ONLY - COMPLIANCE FOLLOWUP

Staff _____ Date: ____/____/____

Do you agree with the reported test results? YES NO

If not, why?

Possible violation identified? YES NO

If YES, what

If YES - followup initiated? YES

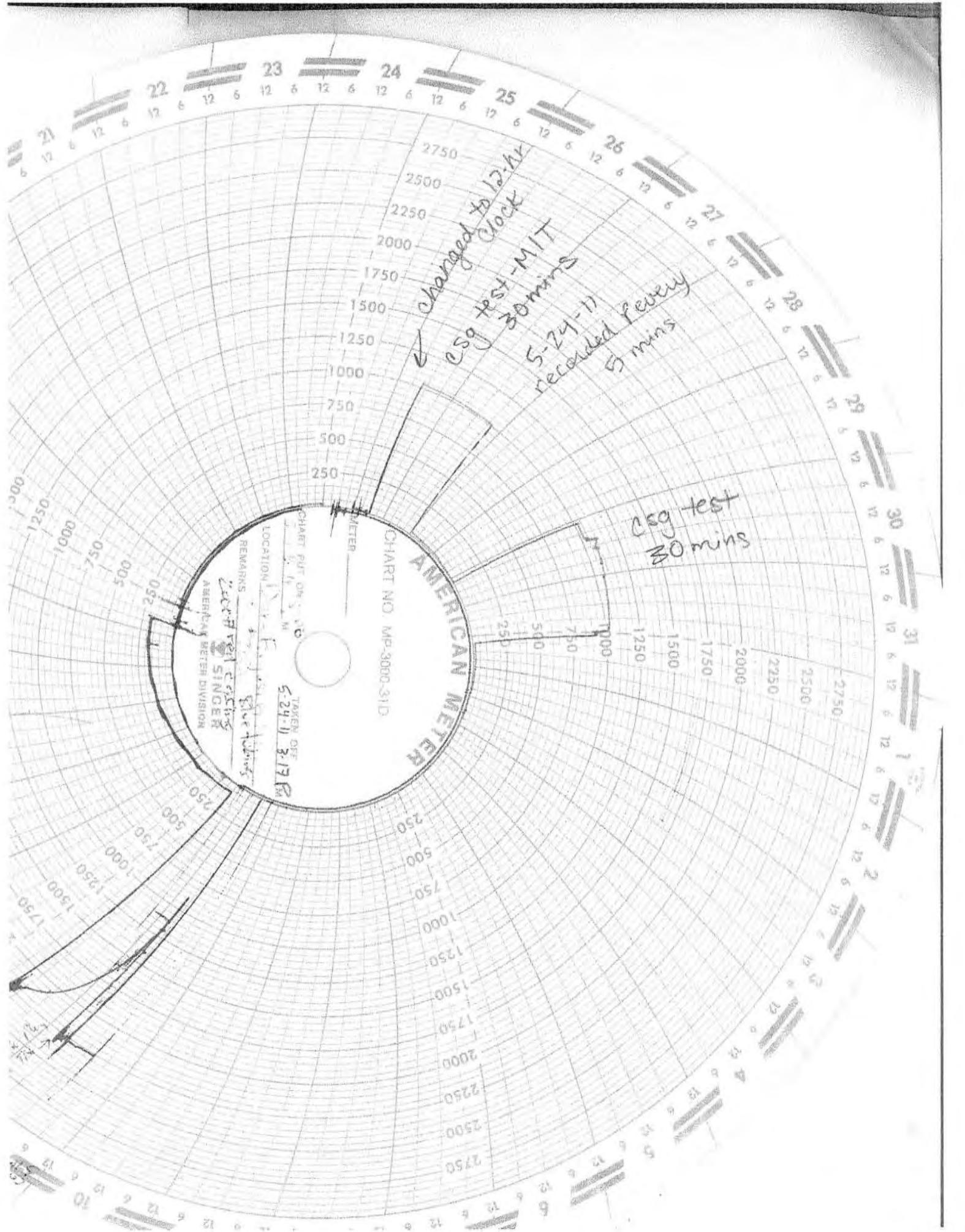
NO - why not?

Data Entry

Compliance Staff

2nd Data Entry

Hardcopy Filing



AMERICAN METER

CHART NO. MP-3000-31D

METER

CHART PUT ON 5-10-11
TAKEN OFF 5-24-11 3:17 PM

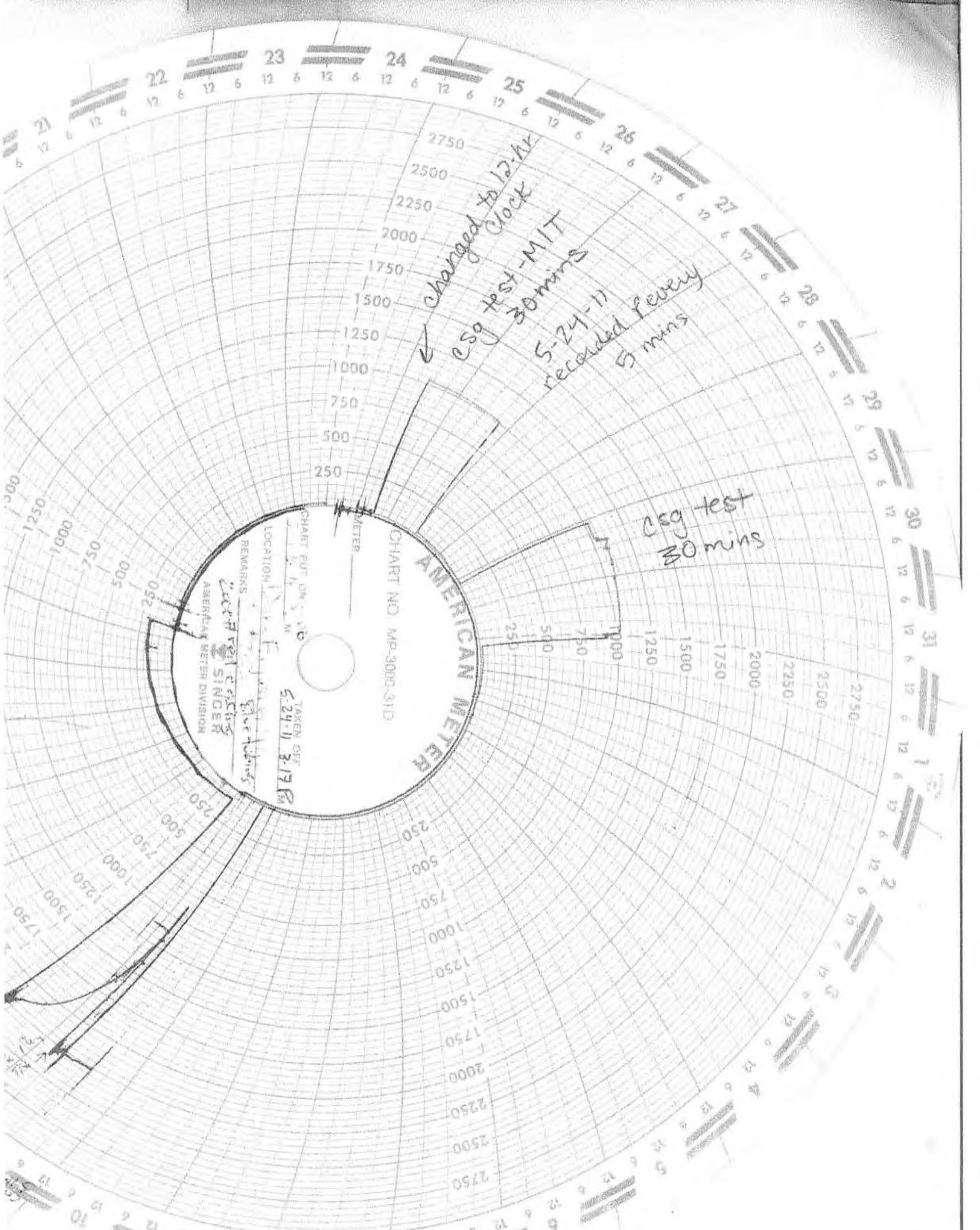
REMAINS
Lectra
SINGER
AMERICAN METER DIVISION

changed to 12-hr clock

CSG test - MIT
30 mins

5-24-11
recorded fever
5 mins

CSG test
30 mins



Maralex Resources, Inc.
Completion- Workover- Daily Work Report

LEASE: Dara Ferguson Injection Well	WELL NO: #1	DATE: 5/20/2011
FIELD: Ignacio Blanco	COUNTY: La Plata	STATE: CO
CONTRACTORS: Weatherford, Triple P		SUPERVISOR: CMR

WORK SUMMARY:

RIH with redressed seal assembly. Had to run a type "F" profile nipple in place of the WX nipple, because the old nipple was pitted and would not pressure test. RIH 20 stands, checking every connection and torquing up to ~1800 ft-lbs. P-test to ~1600 psi. Held ok. RIH with 20 stands. Found loose connection in the middle of the 32nd stand, tightened it up. P-test up to 1700 psi, fell off to 1500 psi in 10 mins. P-up on string a second time, fell about 170 psi in 10 mins, most likely air. RIH with another 20 stands. P-test to 1800 psi, fell about 180 psi in 10 mins. P-up on string a second time to 1750 psi, fell only 120 psi this time. Casing is loaded and we left the casing valve open to the rig pit. We did not see any flow from the casing, indicating solid tubing. RIH with another 20 stands. P-up to 1700 psi for a few minutes, then bleed off P and P-up to ~1800 psi a second time. Only fell about 110 psi in 10 mins. RIH with 20 stands. P up to 1800 psi for a few minutes, bleed off and P-up to 1900 psi. Fell about 90 psi in 10 mins. RIH with remaining stands and pup jts, all tubing except for the last joint. P-test up to 1900 psi, only fell 80 psi in 10- mins. Bleed off and P-up to 2000 psi, fell 30 psi in 15 mins. No flow from casing during any of the pressure tests, tbg string looks good. Move pipe and wellhead out of the way so that we can pull the top tbg plug in the morning with slickline. Rig crew will take tubing donut back to town to be checked out. They will also pick up new bolts for the wellhead. SDFN.

DAILY COSTS

	Today	Cum
Drilling Cost		\$0
Rig	\$2,951	\$9,191
Rental Equipment	\$125	\$375
Logging/ Perforating		\$9,000
Stimulation		\$0
Inspection, Testing		\$0
Cementing		\$0
Water & Hauling		\$350
Completion Fluids		\$0
Eng & Supervision	\$630	\$2,030
Trucking		\$1,200
Bits, Scrapers, Reamers		\$0
Misc Compltn Exp (site work)		\$0
Misc Supplies		\$0
Packer		\$0
*Other:		\$0

	Today	Cum
Tubulars		\$0
Wellhead Equipment		\$0
Subsurface Prod Equip		\$0
Subsurface Pump Repairs		\$0
Artificial Lift Equip		\$0
Sucker Rods		\$0
Tanks		\$0
Pressure Vessels		\$0
Meters & Flowlines		\$1,500
Valves & Fittings		\$0
Motors & Engines		\$0
Labor & Equipment	\$500	\$3,000
Misc Well Equip		\$750
Fishing Tools		\$0
Well Daily Cost:	\$4,206	
Cumulative Cost:	\$27,396	

WELL RECORD

KB	12 ft GL		Rods:	
Tbg	3-1/2" 9.3# N-80 8rd EUE plastic coated inside		API Pump:	
Landed @:	7894 ft PBTD:		Pump MRI No.: IN:	OUT:
Perforations:	7914 ft - 8842 ft		Other Info:	
Packer:	7" x 4" SB Arrow Pckr W/L set retrievable 10k @ 7869'			

Maralex Resources, Inc.
Completion- Workover- Daily Work Report

LEASE: Dara Ferguson Injection Well	WELL NO: #1	DATE: 5/19/2011
FIELD: Ignacio Blanco	COUNTY: La Plata	STATE: CO
CONTRACTORS: Weatherford, Triple P, Phoenix	SUPERVISOR: CMR	

WORK SUMMARY:

Safety meeting. Resume tripping pipe. Almost every connection (except 1) was extremely tight. Rig crew had to beat on the collars before using tongs to get pipe apart. Took almost 6 hours to get tbg out of hole. Retrieved seal bore assembly. Break out profile nipple and seal bore assembly. Load in Weatherford hand's truck to be redressed tonight at the shop. Rubbers on seal bore assembly were damaged, but the metal itself did not show damage. Weatherford will redress the seals and insert the Phoenix plug in the profile nipple at the shop so we can pressure test our tbg tomorrow. SDFN.

DAILY COSTS

	Today	Cum
Drilling Cost		\$0
Rig	\$2,880	\$6,240
Rental Equipment	\$125	\$250
Logging/ Perforating		\$9,000
Stimulation		\$0
Inspection, Testing		\$0
Cementing		\$0
Water & Hauling	\$350	\$350
Completion Fluids		\$0
Engr & Supervision	\$350	\$1,400
Trucking		\$1,200
Bits, Scrapers, Reamers		\$0
Misc Compltn Exp (site work)		\$0
Misc Supplies		\$0
Packer		\$0
*Other:		\$0

	Today	Cum
Tubulars		\$0
Wellhead Equipment		\$0
Subsurface Prod Equip		\$0
Subsurface Pump Repairs		\$0
Artificial Lift Equip		\$0
Sucker Rods		\$0
Tanks		\$0
Pressure Vessels		\$0
Meters & Flowlines		\$1,500
Valves & Fittings		\$0
Motors & Engines		\$0
Labor & Equipment	\$500	\$2,500
Misc Well Equip	\$750	\$750
Fishing Tools		\$0
Well Daily Cost:	\$4,955	
Cumulative Cost:	\$23,190	

WELL RECORD

KB	12 ft GL	Rods:	
Tbg	3-1/2" 9.3# N-80 8rd EUE plastic coated inside	API Pump:	
Landed @	7894 ft PBTD:	Pump MRI No. IN:	OUT:
Perforations:	7914 ft - 8842 ft	Other Info:	
Packer:	7" x 4" SB Arrow Pckr W/L set retrievable 10k @ 7869'		

Maralex Resources, Inc.
Completion- Workover- Daily Work Report

LEASE: Dara Ferguson Injection Well	WELL NO: #1	DATE: 5/18/2011
FIELD: Ignacio Blanco	COUNTY: La Plata	STATE: CO
CONTRACTORS: Weatherford, Triple P, Raymond Construction	SUPERVISOR: CMR	

WORK SUMMARY:

Yesterday (5-17-11): MI Triple P rig #6 (operator = Victor) on location, spot all equipment with trucks, including pump, pit, BOP.

Today: Move 2 joints of new, coated tbg on location with roustabout crew. Safety meeting, SICP = 50 psi. Open tbg, no pressure. ND injection line and wellhead. Bolts on wellhead were bad, took about 2 hours to get them off. NU BOP on wellhead with spool. Pull up on tbg string to unseat seal assembly downhole. Weight indicator was not reading correctly, but we figured out that we were pulling the entire string weight. Pull donut and start TOO H with 3-1/2" N-80 tbg. Connections on tbg are incredibly tight. Tongs broke, had to SD. Secure well, will start again in morning.

DAILY COSTS

	Today	Cum
Drilling Cost		\$0
Rig	\$3,360	\$3,360
Rental Equipment	\$125	\$125
Logging/ Perforating		\$9,000
Stimulation		\$0
Inspection, Testing		\$0
Cementing		\$0
Water & Hauling		\$0
Completion Fluids		\$0
Engr & Supervision	\$420	\$1,050
Trucking	\$1,200	\$1,200
Bits, Scrapers, Reamers		\$0
Misc Compltn Exp (site work)		\$0
Misc Supplies		\$0
Packer		\$0
*Other:		\$0

	Today	Cum
Tubulars		\$0
Wellhead Equipment		\$0
Subsurface Prod Equip		\$0
Subsurface Pump Repairs		\$0
Artificial Lift Equip		\$0
Sucker Rods		\$0
Tanks		\$0
Pressure Vessels		\$0
Meters & Flowlines		\$1,500
Valves & Fittings		\$0
Motors & Engines		\$0
Labor & Equipment	\$500	\$2,000
Misc Well Equip		\$0
Fishing Tools		\$0
Well Daily Cost:	\$5,605	
Cumulative Cost:	\$18,235	

WELL RECORD			
KIB	12 ft GL		Rods:
Tbg	3-1/2" 9.3# N-80 8rd EUE plastic coated inside		API Pump:
Landed @	7894 ft PBTD:		Pump MRI No.: IN: OUT:
Perforations:	7914 ft - 8842 ft		Other info:
Packer:	7" x 4" SB Arrow Pckr W/L set retrievable 10k @ 7869'		

Maralex Resources, Inc.
Completion- Workover- Daily Work Report

LEASE: Dara Ferguson Injection Well	WELL NO: #1	DATE: 5/12/2011
FIELD: Ignacio Blanco	COUNTY: La Plata	STATE: CO
CONTRACTORS: Phoenix Services	SUPERVISOR: CMR	

WORK SUMMARY:

RU slickline truck, tool string and lubricator. RIH with 2.733" gauge ring to top of lowest profile nipple at 7892 ft. RIH with 2.75" XN plug and set in bottom profile nipple at 7892 ft. RIH with 2" JDC equalizing rod and set in plug. Blow down tbg, tbg lost all pressure. Plug is holding fine. Move out.

DAILY COSTS

	Today	Cum
Drilling Cost		\$0
Rig		\$0
Rental Equipment		\$0
Logging/ Perforating	\$4,500	\$9,000
Stimulation		\$0
Inspection, Testing		\$0
Cementing		\$0
Water & Hauling		\$0
Completion Fluids		\$0
Engr & Supervision	\$280	\$630
Trucking		\$0
Bits, Scrapers, Reamers		\$0
Misc Compltn Exp (site work)		\$0
Misc Supplies		\$0
Packer		\$0
*Other:		\$0

	Today	Cum
Tubulars		\$0
Wellhead Equipment		\$0
Subsurface Prod Equip		\$0
Subsurface Pump Repairs		\$0
Artificial Lift Equip		\$0
Sucker Rods		\$0
Tanks		\$0
Pressure Vessels		\$0
Meters & Flowlines		\$1,500
Valves & Fittings		\$0
Motors & Engines		\$0
Labor & Equipment		\$1,500
Misc Well Equip		\$0
Fishing Tools		\$0
Well Daily Cost:	\$4,780	
Cumulative Cost:	\$12,630	

WELL RECORD

KB	12 ft GL	Rods:	
Tbg	3-1/2" 9.3# N-80 8rd EUE plastic coated inside	API Pump:	
Landed @	7894 ft PBTD:	Pump MRI No.:	IN: OUT:
Perforations:	7914 ft - 8842 ft	Other Info:	
Packer:	7" x 4" SB Arrow Pckr W/L set retrievable 10k @ 7869'		

Maralex Resources, Inc.
Completion- Workover- Daily Work Report

LEASE: Dara Ferguson Injection Well	WELL NO: #1	DATE: 5/11/2011
FIELD: Ignacio Blanco	COUNTY: La Plata	STATE: CO
CONTRACTORS: Raymond Construction, Ferrari, Phoenix Services	SUPERVISOR: CMR	
WORK SUMMARY:		

Prior to 5/11: With roustabout crew, remove concrete blocks, fencing, and building from around wellhead and set off to the side. Remove chart recorder to install second pen for recording annular P.

Install chart recorder with new pen. Hook up 2nd pen recorder to casing. Tbg P = 1600 psi, Csg P = 1500 psi. RU slickline truck, tool string and lubricator. RIH with 2.804" gauge ring to top of profile nipple at 7835 ft. RIH with first part of plug to set in profile nipple. Set plug, TOOH. RIH with equalizing rod and set in plug. Blow down csg and tbg. Tbg blew down so looked like plug was solid. After about 30 mins, csg P started to bleed off also, indicating leak in the tbg string. With the injection pump, pressure up on the tbg to ~1900 psi. Hold pressure and watch csg and tbg. Tbg P bled off slowly, with a corresponding rise in the casing pressure, indicating a leak in the tbg string above the plug. Wait until the pressure in the tbg bled off to less than 1500 psi and RU to retrieve plug.

Retrieve pressure equalizing rod on one run and retrieve plug on next run. Had a hard time latching on to the plug. Found lots of black scale on plug when we got it to surface. Took sample to have it analyzed. SDFN.

DAILY COSTS

	Today	Cum
Drilling Cost		\$0
Rig		\$0
Rental Equipment		\$0
Logging/ Perforating	\$4,500	\$4,500
Stimulation		\$0
Inspection, Testing		\$0
Cementing		\$0
Water & Hauling		\$0
Completion Fluids		\$0
Ingr & Supervision	\$350	\$350
Trucking		\$0
Bits, Scrapers, Reamers		\$0
Misc Compln Exp (site work)		\$0
Misc Supplies		\$0
Packer		\$0
*Other:		\$0

	Today	Cum
Tubulars		\$0
Wellhead Equipment		\$0
Subsurface Prod Equip		\$0
Subsurface Pump Repairs		\$0
Artificial Lift Equip		\$0
Sucker Rods		\$0
Tanks		\$0
Pressure Vessels		\$0
Meters & Flowlines	\$1,500	\$1,500
Valves & Fittings		\$0
Motors & Engines		\$0
Labor & Equipment	\$1,500	\$1,500
Misc Well Equip		\$0
Fishing Tools		\$0
Well Daily Cost:	\$7,850	
Cumulative Cost:	\$7,850	

WELL RECORD

KB	12 ft GL	Rods:	
Tbg	3-1/2" 9.3# N-80 8rd EUE plastic coated inside	API Pump:	
Landed @	7894 ft PBTD:	Pump MRI No.: IN:	OUT:
Perforations:	7914 ft - 8842 ft	Other Info:	
Packer:	7" x 4" SB Arrow Pckr W/L set retrievable 10k @ 7869'		

Maralex Resources, Inc.
Completion- Workover- Daily Work Report

LEASE: Dara Ferguson Injection Well	WELL NO: #1	DATE: 5/25/11
FIELD: Ignacio Blanco	COUNTY: La Plata	STATE: CO
CONTRACTORS: Triple P. Phoenix Services, Overright Trucking	SUPERVISOR: CMR	

WORK SUMMARY:

Using winch line on rig, RU slickline with hydrostatic bailer. Make 1st run to bail fill. Hit fill @ 7878' on depthometer (operator says his depthometer is off and reads low). Drop bailer on to fill repeatedly, TOOH. Got back some very thick, muddy water and very little debris. Change to a drivedown bailer with a ball port and RIH. Make 2nd run. Tagged fill at -7889 ft, about 11 ft lower than before. We think we may have broken through a bridge. TOOH, recovered -6" of debris, mostly bits of rubber and metal from seal assembly. Make 3rd run, tagged at same depth, recovered another 6" of debris with larger pieces of metal and rubber. Make 4th run, maybe made 1-2 ft of hole on this run. TOOH, recovered very little debris. Decide to RIH and try to retrieve equalizing probe. RIH, tag @ 7897 ft, pulled equalizing probe. RIH to get plug. Lubricator leaking badly, couldn't latch plug. TOOH and redress rubbers on lubricator. Hose on lubricator had hole in it, replace hose. RIH again, felt like we latched on to the plug. TOOH, didn't get plug. Empty rig pit with water truck. Flow 80 bbls from tubing into rig pit in an attempt to clean up above the plug. RIH again. Latched on to plug and POOH. Got sticky at around 3000 ft, but then broke loose. Wire in plug (packer material). Secure well, RD slickline. RD rig and equipment.

DAILY COSTS

	Today	Cum
Drilling Cost		\$0
Rig	\$2,600	\$16,449
Rental Equipment	\$125	\$1,000
Logging/ Perforating	\$4,500	\$19,000
Stimulation		\$0
Inspection, Testing		\$350
Cementing		\$0
Water & Hauling	\$500	\$3,850
Completion Fluids		\$250
Engr & Supervision	\$700	\$3,990
Trucking		\$1,200
Bits, Scrapers, Reamers		\$0
Misc Compltn Exp		\$0
Misc Supplies		\$0
Packer		\$0
*Other:		\$0

	Today	Cum
Tubulars		\$0
Wellhead Equipment		\$0
Subsurface Prod Equip		\$0
Subsurface Pump Repairs		\$0
Artificial Lift Equip.		\$0
Sucker Rods		\$0
Tanks		\$0
Pressure Vessels		\$0
Meters & Flowlines		\$1,500
Valves & Fittings		\$0
Motors & Engines		\$0
Labor & Equipment		\$3,000
Misc Well Equip		\$10,050
Fishing Tools		\$0
Well Daily Cost:	\$8,425	
Cumulative Cost:	\$60,639	

WELL RECORD			
KB	12 ft GL		Rods:
Tbg	3-1/2" 9.3# N-80 8rd EUE plastic coated inside		API Pump:
Landed @	7880 ft	PBTD:	Pump MRI No.: IN: OUT:
Perforations:	7914 ft - 8842 ft		Other Info:
Packer:	7" x 4" SB Arrow Pckr W/L set retrievable 10k @ 7854'		

Maralex Resources, Inc.
Completion- Workover- Daily Work Report

LEASE: Dara Ferguson Injection Well	WELL NO: #1	DATE: 5/26/11
FIELD: Ignacio Blanco	COUNTY: La Plata	STATE: CO
CONTRACTORS: Basin Wireline and Perforating	SUPERVISOR: CMR	

WORK SUMMARY:

RU Basin Wireline truck (operator = Pat Baker). Had a hard time getting through the packer and end of tubing, felt like we were pushing something. PU was at 8931 ft for wireline TD. First collar off bottom at 8908 ft. Run temp survey to TD. RDMO wireline.

DAILY COSTS

	Today	Cum
Drilling Cost		\$0
Rig		\$0
Rental Equipment		\$0
Logging/ Perforating	\$5,500	\$5,500
Stimulation		\$0
Inspection, Testing		\$0
Cementing		\$0
Water & Hauling		\$0
Completion Fluids		\$0
Engr & Supervision	\$560	\$560
Trucking		\$0
Bits, Scrapers, Reamers		\$0
Misc Compltn Exp		\$0
Misc Supplies		\$0
Packer		\$0
*Other:		\$0

	Today	Cum
Tubulars		\$0
Wellhead Equipment		\$0
Subsurface Prod Equip		\$0
Subsurface Pump Repairs		\$0
Artificial Lift Equip		\$0
Sucker Rods		\$0
Tanks		\$0
Pressure Vessels		\$0
Meters & Flowlines		\$0
Valves & Fittings		\$0
Motors & Engines		\$0
Labor & Equipment		\$0
Misc Well Equip		\$0
Fishing Tools		\$0
Well Daily Cost:	\$6,060	
Cumulative Cost:	\$6,060	

WELL RECORD

KB	12 ft GL	Rods:	
Tbg	3-1/2" 9.3# N-80 8rd EUE plastic coated inside	API Pump:	
Landed @	7880 ft PBTD:	Pump MRI No.:	IN: OUT:
Perforations:	7914 ft - 8842 ft	Other Info:	
Packer:	7" x 4" SB Arrow Pckr W/L set retrievable 10k @ 7854'		

MARALEX RESOURCES, INC.
COMPLETION - WORKOVER - DAILY WORK REPORT

LEASE: Dara Ferguson Inj. WELL No.: 1 DATE: 11/29/11
 FIELD: _____ COUNTY: La Plata STATE: Colorado
 CONTRACTOR(S): Phoenix/WSI/Triple P SUPERVISOR: D. R. Reimann
 WORK SUMMARY:

Start Rig - Remove BOP. Nipple up Rebuild wellhead
 Pr. TEST cavity between FBG Hanger & top of
 wellhead. Displace All water out of tree. Conf
 pressure test to 3500 PSI. Rig down Triple P
 Rig. Pump in wellhead to Injection Line.
 Rig up WSI pressure test unit. Pr up on CSG/TBF
 Annulus to 1050 PSI. HOLD FOR 30 min. HOLD Solid.
 ending Pr = 1050 PSI. Pressure TEST WAS RECORDED
 ON chart. Rig up Phoenix slide line unit.
 RIH to Recover 3/2" Plug. TAG Plug @ 988'
 could not equalize across plug. Attempt to start
 WATER Injection pumps. Both units had DEAD
 batteries. Jump w/ Trick (12V ON 24V system)
 unit #1 turning over but not starting. Shut
 down till tomorrow AM. ERIC (CO. Mechanic) to
 change batteries tomorrow AM)

DAILY COSTS:

Location, Signs, Road		Tubulars	
Rig	1800.	Wellhead Equipment	2500.
Rental Equipment		Subsurface Prod Equip	
Logging/Perforating	1200.	Sbsrface Pump Repairs	
Stimulation		Artificial Lift Equip	
Inspection, Testing		Sucker Rods	
Cementing		Tanks	
Water & Hauling		Pressure Vessels	
Completion Fluids		Meters & Flowlines	
Engr & Supervision	750.	Valves & Fittings	
Trucking		Motors & Engines	
Bits, Scrapers, Reamers		Labor & Equipment	
Misc Compltn Exp		Misc Well Equip	
Misc. Supplies		Other*	
*Other:		Total Daily Cost	
		Cumulative Cost	

WELL RECORD

KB		Rods:	
Tbg		API Pump Size:	
Landed @	PBTD:	Pump MRI No.: IN:	OUT:
Perforations: Top:	Bottom:	Other Info:	
Packer:			

X1
Tb
Jar
er
lic

Alaska
Pinnacles S.W.D.#1
7" casing foot ID, 1,050 lbs, 30 min
Stewart Shells, U.S.I. 11-29-11

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Maralex Disposal, LLC

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Income Statement
December 31, 2008

<u>Acct</u>	<u>Description</u>	<u>Curr Period</u>	<u>Pct</u>	<u>Year to Date</u>	<u>Pct</u>
Income:					
4001	Disposal Income-WI	477,854.33	89.9	477,854.33	89.9
4002	DISPOSAL INCOME-ROYALTY	5,136.25	1.0	5,136.25	1.0
4003	PROCESSED WATER INCOME	2,706.25	0.5	2,706.25	0.5
4500	Management Fee	36,426.24	6.9	36,426.24	6.9
4550	Engineering Charges	8,610.00	1.6	8,610.00	1.6
4560	Supervision	720.00	0.1	720.00	0.1
	Total Income	531,453.07	100.0	531,453.07	100.0
Cost of Goods Sold					
5400	Lease Operating Expense	153,587.68	28.9	153,587.68	28.9
	Total COGS	153,587.68	28.9	153,587.68	28.9
	Gross Profit	377,865.39	71.1	377,865.39	71.1
Administrative Expenses:					
7120	Bank Charges	1,399.14	0.3	1,399.14	0.3
7266	Contributions (Non-Deductible)	20,000.00	3.8	20,000.00	3.8
7326	Depreciation - L & WE	409,773.68	77.1	409,773.68	77.1
7860	Insurance Rebilled	(1,511.28)	(0.3)	(1,511.28)	(0.3)
7900	Interest Expense	55,545.89	10.5	55,545.89	10.5
8270	Miscellaneous	10.00	0.0	10.00	0.0
8570	Legal & Professional Fees	908.75	0.2	908.75	0.2
8571	Salaries Billed Out	(9,724.61)	(1.8)	(9,724.61)	(1.8)
8872	Mobile Phones Rebilled	(631.08)	(0.1)	(631.08)	(0.1)
8886	Vehicle Expenses Billed Out	(9,770.28)	(1.8)	(9,770.28)	(1.8)
	Total Administrative Expense	466,000.21	87.7	466,000.21	87.7
	Net Income (Loss)	\$ (88,134.82)	(16.6)	\$ (88,134.82)	(16.6)

2008

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Maralex Disposal, LLC
Income Statement
December 31, 2008

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FERGUSON DISPOSAL WELL

County: LA PLATA State: CO

<u>Acct</u>	<u>Description</u>	<u>Curr Period</u>	<u>Pct</u>	<u>Year to Date</u>	<u>Pct</u>
	Income:				
4001	Disposal Income-WI	289,192.92	100.0	289,192.92	100.0
	Total Income	<u>289,192.92</u>	<u>100.0</u>	<u>289,192.92</u>	<u>100.0</u>
	Cost of Goods Sold				
5400	Lease Operating Expense	83,678.43	28.9	83,678.43	28.9
	Total COGS	<u>83,678.43</u>	<u>28.9</u>	<u>83,678.43</u>	<u>28.9</u>
	Gross Profit	<u>205,514.49</u>	<u>71.1</u>	<u>205,514.49</u>	<u>71.1</u>
	Administrative Expenses:				
8571	Salaries Billed Out	(2,845.62)	(1.0)	(2,845.62)	(1.0)
	Total Administrative Expense	<u>(2,845.62)</u>	<u>(1.0)</u>	<u>(2,845.62)</u>	<u>(1.0)</u>
	Net Income (Loss)	<u>\$ 208,360.11</u>	<u>72.0</u>	<u>\$ 208,360.11</u>	<u>72.0</u>

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Maralex Disposal, LLC

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Balance Sheet

December 31, 2008

ASSETS:

Current Assets:		
1010	Wells Fargo Checking	43,328.22
1200	Accounts Receivable	227,411.53
	Unbilled JIB	21,500.96
	Total Current Assets	<u>292,240.71</u>
Fixed Assets:		
1400	Leasehold Costs - Developed	38,234.26
1600	Lease & Well Equipment	1,888,805.91
1810	Accumulated DD & A	(755,422.46)
	Total Fixed Assets	<u>1,171,617.71</u>
Other Assets:		
	Total Other Assets	<u>0.00</u>
	Total Assets	<u>\$ 1,463,858.42</u>

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Maralex Disposal, LLC

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Balance Sheet

December 31, 2008

LIABILITIES & EQUITY

	Current Liabilities:		
2010	Accounts Payable	179,099.01	
	Revenue Payables	75,165.02	
2350	NM Compensating Tax Payable	167.52	
2900	Prepayments - Drlg/Comp	69,411.04	
	Total Current Liabilities	<u>323,842.59</u>	
	Long Term Liabilities:		
2905	Note Payable - ANB	900,000.00	
2906	Payable to MRI for Disp. Wells	295,301.50	
	Total Long Term Liabilities	<u>1,195,301.50</u>	
	Total Liabilities	1,519,144.09	
	Equity:		
3011	Capital Stock	500.00	
3945	Owners Distributions	(30,000.00)	
3949	Retained Earnings	62,349.15	
3950	Current Year Earnings	(88,134.82)	
	Total Equity	<u>(55,285.67)</u>	
	Total Liabilities & Equity	<u>\$ 1,463,858.42</u>	

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Income Statement

December 31, 2009

<u>Acct</u>	<u>Description</u>	<u>Curr Period</u>	<u>Pct</u>	<u>Year to Date</u>	<u>Pct</u>
Income:					
4001	Disposal Income-WI	588,028.59	69.2	588,028.59	69.2
4002	DISPOSAL INCOME-ROYALTY	17,405.89	2.0	17,405.89	2.0
4004	Property Rental Income	15,159.50	1.8	15,159.50	1.8
4500	Management Fee	36,426.24	4.3	36,426.24	4.3
4520	Gain on Sale of Assets	160,109.02	18.8	160,109.02	18.8
4530	Mechanic Income	960.00	0.1	960.00	0.1
4550	Engineering Charges	6,870.00	0.8	6,870.00	0.8
4900	Interest Income	16.70	0.0	16.70	0.0
4910	Miscellaneous Income	24,883.13	2.9	24,883.13	2.9
	Total Income	849,859.07	100.0	849,859.07	100.0
Cost of Goods Sold					
5400	Lease Operating Expense	144,713.75	17.0	144,713.75	17.0
	Total COGS	144,713.75	17.0	144,713.75	17.0
	Gross Profit	705,145.32	83.0	705,145.32	83.0
Administrative Expenses:					
7120	Bank Charges	5,903.20	0.7	5,903.20	0.7
7265	Charitable Contributions	15,000.00	1.8	15,000.00	1.8
7326	Depreciation - L & WE	306,510.14	36.1	306,510.14	36.1
7860	Insurance Rebilled	(1,544.24)	(0.2)	(1,544.24)	(0.2)
7900	Interest Expense	37,911.30	4.5	37,911.30	4.5
8571	Salaries Billed Out	(9,826.40)	(1.2)	(9,826.40)	(1.2)
8872	Mobile Phones Rebilled	(467.76)	(0.1)	(467.76)	(0.1)
8886	Vehicle Expenses Billed Out	(11,347.98)	(1.3)	(11,347.98)	(1.3)
	Total Administrative Expense	342,138.26	40.3	342,138.26	40.3
	Net Income (Loss)	\$ 363,007.06	42.7	\$ 363,007.06	42.7

2009

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Maralex Disposal, LLC
Income Statement
December 31, 2009

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FERGUSON DISPOSAL WELL

County: IA PLATA State: CO

<u>Acct</u>	<u>Description</u>	<u>Curr Period</u>	<u>Pct</u>	<u>Year to Date</u>	<u>Pct</u>
	Income:				
4001	Disposal Income-WI	272,325.70	100.0	272,325.70	100.0
	Total Income	<u>272,325.70</u>	<u>100.0</u>	<u>272,325.70</u>	<u>100.0</u>
	Cost of Goods Sold				
5400	Lease Operating Expense	44,007.53	16.2	44,007.53	16.2
	Total COGS	<u>44,007.53</u>	<u>16.2</u>	<u>44,007.53</u>	<u>16.2</u>
	Gross Profit	<u>228,318.17</u>	<u>83.8</u>	<u>228,318.17</u>	<u>83.8</u>
	Administrative Expenses:				
8571	Salaries Billed Out	(2,607.53)	(1.0)	(2,607.53)	(1.0)
	Total Administrative Expense	<u>(2,607.53)</u>	<u>(1.0)</u>	<u>(2,607.53)</u>	<u>(1.0)</u>
	Net Income (Loss)	<u>\$ 230,925.70</u>	<u>84.8</u>	<u>\$ 230,925.70</u>	<u>84.8</u>

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Maralex Disposal, LLC
Balance Sheet
December 31, 2009

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ASSETS:

Current Assets:		
1010	Wells Fargo Checking	10,552.25
1015	Bank of the West - Operating	(54,672.79)
1020	Bank of the West - Money Mkt	28,051.31
1200	Accounts Receivable	443,498.41
	Unbilled JIB	3,819.55
	Total Current Assets	<u>431,248.73</u>
Fixed Assets:		
1400	Leasehold Costs - Developed	56,034.19
1500	Centerpoint Land	625,195.88
1600	Lease & Well Equipment	1,799,973.09
1810	Accumulated DD & A	(995,941.54)
	Total Fixed Assets	<u>1,485,261.62</u>
Other Assets:		
1900	Deposits	20,000.00
	Total Other Assets	<u>20,000.00</u>
	Total Assets	<u>\$ 1,936,510.35</u>

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Maralex Disposal, LLC

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Balance Sheet

December 31, 2009

LIABILITIES & EQUITY

Current Liabilities:

2010	Accounts Payable	174,501.97
	Revenue Payables	68,189.13
2340	County Taxes Payable	1,295.89
2350	NM Compensating Tax Payable	167.52
2900	Prepayments - Drlg/Comp	(9,699.82)
	Total Current Liabilities	<u>234,454.69</u>

Long Term Liabilities:

2906	Payable to MRI for Disp. Wells	345,301.50
2907	Payable to Executive Escrow Co	378,937.41
2910	Note Payable - BOTW	675,000.00
	Total Long Term Liabilities	<u>1,399,238.91</u>
	Total Liabilities	1,633,693.60

Equity:

3011	Capital Stock	500.00
3945	Owners Distributions	(30,000.00)
3949	Retained Earnings	(30,690.31)
3950	Current Year Earnings	363,007.06
	Total Equity	<u>302,816.75</u>

Total Liabilities & Equity \$ 1,936,510.35

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Maralex Disposal, LLC
Income Statement
December 31, 2010

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<u>Acct</u>	<u>Description</u>	<u>Curr Period</u>	<u>Pct</u>	<u>Year to Date</u>	<u>Pct</u>
Income:					
4001	Disposal Income-WI	421,153.58	81.2	421,153.58	81.2
4002	DISPOSAL INCOME-ROYALTY	23,010.05	4.4	23,010.05	4.4
4004	Property Rental Income	28,348.30	5.5	28,348.30	5.5
4500	Management Fee	36,426.24	7.0	36,426.24	7.0
4530	Mechanic Income	8,955.50	1.7	8,955.50	1.7
4550	Engineering Charges	840.00	0.2	840.00	0.2
4900	Interest Income	109.82	0.0	109.82	0.0
	Total Income	518,843.49	100.0	518,843.49	100.0
Cost of Goods Sold					
5400	Lease Operating Expense	167,527.95	32.3	167,527.95	32.3
	Total COGS	167,527.95	32.3	167,527.95	32.3
	Gross Profit	351,315.54	67.7	351,315.54	67.7
Administrative Expenses:					
7120	Bank Charges	6,052.14	1.2	6,052.14	1.2
7265	Charitable Contributions	15,000.00	2.9	15,000.00	2.9
7326	Depreciation - L & WE	257,997.88	49.7	257,997.88	49.7
7860	Insurance Rebilled	(970.83)	(0.2)	(970.83)	(0.2)
7900	Interest Expense	30,694.60	5.9	30,694.60	5.9
7901	PENALTY EXPENSE	86.39	0.0	86.39	0.0
8270	Miscellaneous	3,106.37	0.6	3,106.37	0.6
8570	Legal & Professional Fees	2,898.95	0.6	2,898.95	0.6
8571	Salaries Billed Out	(13,356.79)	(2.6)	(13,356.79)	(2.6)
8872	Mobile Phones Rebilled	(531.21)	(0.1)	(531.21)	(0.1)
8874	Field/Mech. Supplies	(40.00)	(0.0)	(40.00)	(0.0)
8886	Vehicle Expenses Billed Out	(13,355.90)	(2.6)	(13,355.90)	(2.6)
	Total Administrative Expense	287,581.60	55.4	287,581.60	55.4
	Net Income (Loss)	\$ 63,733.94	12.3	\$ 63,733.94	12.3

2010

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Maralex Disposal, LLC
Income Statement
December 31, 2010

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FERGUSON DISPOSAL WELL

County: LA PLATA State: CO

<u>Acct</u>	<u>Description</u>	<u>Curr Period</u>	<u>Pct</u>	<u>Year to Date</u>	<u>Pct</u>
	Income:				
4001	Disposal Income-WI	244,216.01	100.0	244,216.01	100.0
	Total Income	244,216.01	100.0	244,216.01	100.0
	Cost of Goods Sold				
5400	Lease Operating Expense	51,954.38	21.3	51,954.38	21.3
	Total COGS	51,954.38	21.3	51,954.38	21.3
	Gross Profit	192,261.63	78.7	192,261.63	78.7
	Administrative Expenses:				
8571	Salaries Billed Out	(3,062.87)	(1.3)	(3,062.87)	(1.3)
	Total Administrative Expense	(3,062.87)	(1.3)	(3,062.87)	(1.3)
	Net Income (Loss)	\$ 195,324.50	80.0	\$ 195,324.50	80.0

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Maralex Disposal, LLC
Balance Sheet
December 31, 2010

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ASSETS:

Current Assets:		
1010	Wells Fargo Checking	10,552.25
1015	Bank of the West - Operating	(19,641.82)
1020	Bank of the West - Money Mkt	77,406.43
1200	Accounts Receivable	432,520.78
	Unbilled JIB	17,529.70
	Total Current Assets	<u>518,367.34</u>
Fixed Assets:		
1400	Leasehold Costs - Developed	68,230.93
1500	Centerpoint Land	625,195.88
1600	Lease & Well Equipment	1,953,868.78
1810	Accumulated DD & A	(1,253,939.42)
	Total Fixed Assets	<u>1,393,356.17</u>
Other Assets:		
1900	Deposits	20,000.00
	Total Other Assets	<u>20,000.00</u>
	Total Assets	<u>\$ 1,931,723.51</u>

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LIABILITIES & EQUITY

Current Liabilities:		
2010	Accounts Payable	189,131.45
	Revenue Payables	98,261.45
2340	County Taxes Payable	1,295.89
2350	NM Compensating Tax Payable	167.52
2900	Prepayments - Drlg/Comp	(9,699.82)
	Total Current Liabilities	279,156.49
Long Term Liabilities:		
2906	Payable to MRI for Disp. Wells	345,301.50
2907	Payable to Executive Escrow Co	339,467.86
2910	Note Payable - BOTW	600,000.00
	Total Long Term Liabilities	1,284,769.36
	Total Liabilities	1,563,925.85
Equity:		
3011	Capital Stock	500.00
3945	Owners Distributions	(30,000.00)
3949	Retained Earnings	333,563.72
3950	Current Year Earnings	63,733.94
	Total Equity	367,797.66
	Total Liabilities & Equity	<u>\$ 1,931,723.51</u>

Dennis R. Reimers

Maralex Disposal, LLC
775 Goddard Avenue
Ignacio, CO 81337

PROFESSIONAL EMPLOYMENT

<p>November, 1992 to present</p>	<p>ENGINEERING MANAGER, MARALEX RESOURCES INC., IGNACIO CO. Supervised the drilling and completion of +100 wells in the San Juan Basin. Developed non-damaging fracture stimulation for coal bed methane wells. Inclining gas rate @ +26 MMCFD - coal seam gas. Supervised the drilling/ completion of the first coal-bed methane wells in Zimbabwe, Africa. Permitted and designed produced water disposal facility in La Plata County Co. and San Juan County, N.M. Engineering evaluation / acquisition of Piceance Basin properties. Prepared annual reserve report. Relief pumper and field supervision of drilling, and workover activities. Testified as an Expert Witness before NMOCD in reservoir drainage hearing (1998).</p>
<p>September, 1988 to November, 1992</p>	<p>SENIOR ENGINEER, ARCO ALASKA INC., ANCHORAGE AK. Developed and implemented Prudhoe Bay fracturing program, resulting in +100 MBOPD rate increase. Awarded two patents - extreme overpressured perforating and overpressured cavitation technique (Patents No. 5,271,465 & 5,411,098). Author of SPE Paper No. 22835 - 1990 Ivishak Fracturing Program. Received Exceptional Contribution Award.</p>

<p>August, 1984 to September, 1988</p>	<p>SENIOR ENGINEER, ARCO ALASKA INC., ANCHORAGE AK. Completion / stimulation engineer responsible for the start-up of Lisburne Field at Prudhoe Bay. Rotated to field start-up assignment overseeing completion activities. Start-up rate exceeded 60 MBOPD.</p>
<p>September 1981 to August, 1984</p>	<p>SENIOR ENGINEER, COSEKA RESOURCES LTD. DENVER, CO. Supervised the workover and drilling programs on Cottonwood Creek properties in Wyoming. Supervised all outside operated properties. Supervised drilling and completion program Douglas Arch properties.</p>
<p>December, 1980 to September, 1981</p>	<p>PETROLEUM ENGINEER SG, AMOCO PRODUCTION CO. DENVER CO. Coordinated the field unitization of Little Knife Field, North Dakota. Reservoir study documenting OOIP, remaining reserves and secondary / tertiary potential of field.</p>
<p>January, 1980 to December, 1980</p>	<p>PETROLEUM ENGINEER SG, AMOCO PRODUCTION CO. DENVER CO. North Division Budget Engineer - responsible for producing rate forecast and capital expenditure requirements. Engineering responsibilities of Williston Basin properties.</p>
<p>June, 1978 to January, 1980</p>	<p>PETROLEUM ENGINEER, AMOCO PRODUCTION CO. ANCHORAGE, AK. Operations engineer responsible for platforms Baker and Dillon in Cook Inlet. Supervised infill drilling program. Completed field performance report.</p>

EDUCATION

1974-1978	New Mexico Institute of Mining and Technology, Socorro, New Mexico. Graduated with Honors with a Bachelor of Science degree in Petroleum Engineering.
1971-1974	Bloomfield High School, Bloomfield New Mexico. Graduated in top 10%. Member of National Honor Society, and Vice President of FFA.

ORGANIZATIONS / AWARDS

1978 - 2000	Society of Petroleum Engineers Author SPE Paper # 22835
1990	ARCO Alaska Exceptional Contribution Award

1991 ARCO Alaska Speakers Bureau - Speaker of the Year Award
1998 Expert witness testifying before the NMOCD, Santa Fe, NM

Christi Reid
775 Goddard Ave.
Ignacio, CO 81137
creid@maralexinc.com

OBJECTIVE: N/A

EDUCATION:

Bachelor of Science in Petroleum Engineering, May 2004
Texas A&M University in College Station, TX
Cumulative GPR: **3.76** out of 4.0
Major GPR: **3.98** out of 4.0

Engineer in Training (EIT) certification, August 2004

PROFESSIONAL EXPERIENCE:

Area Engineer, Oct 2006 – present
Maralex Resources in Ignacio, CO

- Drilling Experience: Plan and execute the drilling of new wells, including getting permits from the state/county, collecting bids from vendors, estimating costs and preparing AFE's, calculating bit hydraulics, estimating formation tops, designing mud/casing/ cement programs, writing drilling programs, coordinating the schedule, leading safety meetings, and supervising the drilling rig as the "company man" on location. Experience includes: conventional tight gas Dakota well in the Piceance basin (northern Colorado), multiple vertical and directional coalbed methane wells in the San Juan basin (Colorado and New Mexico), and several exploratory limestone reservoir oil wells in north/central Kansas.
- Completions Experience: Design optimum completions for newly drilled wells, including putting together AFE's, selecting vendors, supervising the completion programs onsite, and maintaining the completions schedule. Experience includes: cased hole logging, swabbing, underbalanced perforating, spearhead and balloff acid jobs, running tools/plugs on wireline, multi stage crosslinked gel fracs on both conventional tight gas and coalbed methane wells, and cleanout/flowback operations.
- Production Experience: Analyze production trends and identify workover opportunities, design optimum workovers, supervise workover rigs in the field, identify underperforming wells and recommend recompletions.
- Operations and Facilities Experience: Troubleshoot equipment including compressors, dehy units, pumpjacks, meters, and engines, pump wells, lead safety meetings, coordinate and design new-well tie-ins and supervise all field work. Manage gathering system and design and coordinate the installation of new pipelines.
- Reservoir Experience: Use decline curves to project future production and calculate reserves, familiar with MICA software package.
- Land Experience: Obtain permits and negotiate right-of-way and side-letter agreements with landowners.
- Water Disposal Experience: Manage operations of disposal well, design appropriate workover and testing operations including setting slickline plugs, wireline temp/RA tracer surveys, rig work, and pressure testing.

Production Engineer, Sep 2004- Sep 2006
Chevron in Bakersfield, CA

Responsible for heavy oil and steam injection wells in the Cymric field, including approx. 50 horizontal wells. Analyzed production trends daily using flowline temps, dynamometer cards, runtime data, gauge data, and steam injection profiles. Wrote remedial wellwork programs including cyclic steam jobs, chemical stimulations, sidetracks, and conversions. Served as execution engineer for new horizontal wells, steam injectors, and infills. Responsible for coordinating between the asset team, operations, drilling, and

construction to ensure that the wells are put on production/ steam on schedule. Designed downhole configurations of new wells and write AFE programs for all completions.

Reservoir Engineering Intern, summer 2003

ChevronTexaco in Bakersfield, CA

Designed the recompletion of a 10-pattern group of heavy oil, steamflooded wells in the Kern River field. By converting injectors to producers and recompleting the wells in an unswept sand, the project yielded an incremental peak of 200 BOPD (P90 response).

Production Engineering/Field Intern, summer 2002

Conoco in Farmington, NM

Recommended a change in the completion of commingled Mesa Verde/ Dakota wells to minimize scale formation in the tubing/casing annulus and maximize production. Spent time in the field with operators to become familiar with everyday production operations.

INDUSTRY TRAINING:

Sand Control (PetroSkills- Mar 2006), Formation Damage: Causes, Prevention, and Remediation (PetroSkills- Dec 2005), Lean Sigma Yellow Belt (Variance Reduction, Inc. - Mar 2005), Rod Pumping Optimization (Theta Enterprises- Nov 2004)

ACTIVITIES:

Child Advocate for Compassion International- volunteer position, raising awareness and financial support for children living in poverty around the world.

A. M. (Mickey) O'HARE

Maralex Disposal, LLC

775 Goddard Avenue

IGNACIO, CO 81137

PROFESSIONAL WORK HISTORY

June 1995 To present	MARALEX Disposal, LLC, Founder & Managing Member Started Company to handle produced water from affiliate. Designed, permitted, installed and operate water treatment and disposal facilities in two states, including RO, evap and Injection facilities. Operate two commercial facilities.
December 1989 To present	MARALEX Resources, Inc., President, CEO & co-Founder Started Company as an engineering consulting firm, built it into an Operating Company and eventually into an Oil and Gas Production company. Ultimately responsible for all facets of exploration, production, operations, facilities, acquisitions, divestments, finance and management. Company has drilled more than two hundred wells in its history and currently owns an interest in more than 450 wells. Currently operates more than one third of those.
January 1987 To January 1990	National Cooperative Refinery Association, District Engineer/Joint Operations Supervisor. Responsible for all aspects of drilling, completing, equipping and operating Company's wells in Four Corners and Midland Districts including design, cost estimates, partner relations, procurement, contract negotiations, field supervision, installation and maintenance. Designed and installed gas treating and compression facilities, water treating and disposal facilities. Initiated and developed Company's Coalbed Methane exploration and development program in Four Corners. Supervised engineers, office staff and field staff.
January 1985 To July 1986	Amoco Production Company, Reservoir Engineer. Responsible for reservoir analysis, reserve reports and development recommendations for coalbed methane and conventional gas fields in Four Corners Area. Performed acquisition analyses of oil fields in Western U.S. including offshore California.
June 1981	Amoco Production Company, District Drilling Engineer/

PROFESSIONAL WORK HISTORY (cont.)

To January 1985

Production/Operations Engineer. Started as Operations Engineer responsible for conventional natural gas and oil production in Farmington District. Implemented workovers and optimization techniques that improved production up to 200%. Drilled infill wells and assisted in early exploration and development of Coalbed Methane project in Cedar Hill area. Promoted to District Drilling Engineer and was responsible for all aspects of drilling design, planning and implementation throughout Western U.S. Designed and supervised the drilling of wildcat wells in California, Oregon, Washington, Nevada, Utah, New Mexico and Colorado.

PROFESSIONAL ACHIEVEMENTS:

Colorado Registered Professional Engineer No. 25484
Recognized as Expert Witness by COGCC & NMOCD
Recognized as Expert Witness by District Court in Santa Fe, NM
Member of Joint Committee to Establish Field Rules for Coalbed Methane Fields in New Mexico and Colorado.

EDUCATION

September 1977
May 1981

New Mexico Institute of Mining and Technology, Socorro, New Mexico. Bachelor of Science Degree in Petroleum Engineering. Graduated with Highest Honors.