

EPWM - 003

PERMIT

2008



New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



August 19, 2008

Mr. Bob L. Bixler
Maralex Resources, Inc.
P.O. Box 338
Ignacio, Colorado 81137

RE: Temporary Approval to Treat and Use Produced Water: Permit EPWM - 003
Maralex Resources, Inc.
Center Point SWD #1: API# 30-045-33464
Location: SE/4, SE/4 Section 24, Township 31 North, Range 11 West, NMPM
San Juan County, New Mexico

Dear Mr. Bixler:

The New Mexico Oil Conservation Division (OCD) has reviewed Maralex Resources, Inc.'s (Maralex) request, dated July 16, 2008, to withdraw its application for a surface waste management facility permit and to treat produced water utilizing a combination of nano-filtration and reverse osmosis and reuse the treated produced water for drilling and frac operations. OCD accepts the withdraw of the surface waste management permit application. It is OCD's understanding that the concentrated wastewater generated from the treatment process will be disposed of by injection into Center Point SWD #1 (API# 30-045-33464). This request is hereby approved with the following understandings and conditions:

1. Maralex shall only accept produced water for treatment from the Fruitland Coal Formation.
2. Maralex shall store all produced water (treated and untreated) in above ground tanks. Maralex shall not manage any oilfield wastes at the proposed treatment and injection facility site on the ground in pits, ponds, below-grade tanks or land application units without an OCD approved permit.
3. Maralex shall only use the treated or untreated produced water for conventional drilling and frac operations.
4. Maralex shall verify that other generators of produce water or operators that wish to obtain treated or untreated produced water for reuse have OCD approval for such reuse prior to the release of any produced water. OCD requires individual generators of produce water or operators to obtain their own approval, separate from Maralex's approval, for reuse or disposition of treated or untreated produced water.
5. Maralex shall obtain a permit in accordance with the provisions of 19.15.17 NMAC to temporary store treated and untreated produced water off-site for reuse.

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* Santa Fe, New Mexico 87505

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6. Maralex shall not discharge any treated or untreated produced water on the ground, to ground water, or into any surface water body without prior written authorization from the OCD Environmental Bureau in the Division's Santa Fe office.
7. Maralex shall bring the existing 350 bbl below-grade tank into compliance with the permitting, siting, design and construction, operational, closure, and transitional provisions of 19.15.17 NMAC.
8. Maralex shall properly dispose of the liquid waste streams, such as concentrate from the nano filtration and reverse osmosis systems, in a Maralex injection well permitted by OCD for the disposal of RCRA exempt waste material.
9. Maralex shall properly dispose of the of produced water treatment cartridge filters and membranes at an OCD permitted landfill or comply with the authorization request provisions and specified testing protocols of 19.15.9.712 NMAC for the disposal of produced water treatment cartridge filters and membranes, if applicable.
10. Maralex shall report all unauthorized discharges, spills, leaks and releases of produced water and conduct corrective action pursuant to WQCC Regulation 20.6.2.1203 NMAC and OCD Rule 116 (19.15.3.116 NMAC).

This authorization is approved for a period of one (1) year. **This temporary approval will expire August 19, 2009.** Renewal requests for temporary approvals shall be submitted 45 days prior to the expiration date. The OCD may revoke, suspend or impose additional operating conditions or limitations on a temporary approval at any time, if the OCD determines that the operator or the facility is in material breach of any applicable statutes or rules, or that such action is necessary for the protection of fresh water, public health or the environment.

Please be advised that approval of this request does not relieve the Maralex of liability should operations result in pollution of surface water, ground water or the environment. Nor does approval relieve Maralex of its responsibility to comply with any other applicable governmental authority's rules and regulations.

If you have any questions regarding this matter, please contact Brad A Jones of my staff at (505) 476-3487 or brad.a.jones@state.nm.us.

Sincerely,



Wayne Price
Environmental Bureau Chief

LWP/baj

cc: OCD District III Office, Aztec