

State of New Mexico
Energy, Minerals and Natural Resources Department

Susana Martinez
Governor

Ken McQueen
Cabinet Secretary

Matthias Sayer
Deputy Cabinet Secretary

David R. Catanach, Division Director
Oil Conservation Division



August 18, 2017

Certified Mail

Return Receipt #: 7015 0640 0007 1331 3636

Maralex Resources Inc.
Attn: Mickey O'Hare
PO Box 338
Ignacio, CO 81137

Re: Inactive Well Status

**Well: Arellano #1, UL F Sec 5 TWN 24N RNG 1E, 1963' FNL & 1980' FWL,
API# 30-039-05644, Rio Arriba County, New Mexico**

Dear Mr. O'Hare:

The last reported production on the Arellano #1 was April 2013. This shows the well as being inactive for 52 months. The well also failed an MIT on October 3, 2013. Currently the well listed above is in violation with 19.15.25.8 and 19.15.16.11

Rule 19.15.5.9.F(2) states "For purposes of 19.15.5.9 NMAC, the listing of a well on the division's inactive well list as a well inactive for more than one year plus 90 days creates a rebuttable presumption that the well is out of compliance with 19.15.25.8 NMAC."

Rule 19.15.25.8 states "WELLS TO BE PROPERLY ABANDONED:

- A. The operator of wells drilled for oil or gas or services wells including seismic, core, exploration or injection wells, whether cased or uncased, shall plug the wells as Subsection B of 19.15.25.8 NMAC requires.
- B. The operator shall either properly plug and abandon a well or place the well in approved temporary abandonment in accordance with 19.15.25 NMAC within 90 days after:

- (1) a 60 day period following suspension of drilling operations;
- (2) a determination that a well is no longer usable for beneficial purposes;
- or
- (3) a period of one year in which a well has been continuously inactive.

Rule 19.15.16.11 states “DEFECTIVE CASING OR CEMENTING: If a well appears to have a defective casing program or faultily cemented or corroded casing that will permit or may create underground waste or contamination of fresh waters, the operator shall give written notice to the division within five working days and proceed with diligence to use the appropriate method and means to eliminate the hazard. If the hazard of waste or contamination of fresh water cannot be eliminated, the operator shall properly plug and abandon the well.”

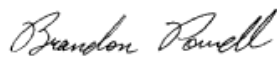
By November 17, 2017, Maralex is directed to bring this well into compliance by performing one of the required actions below. Maralex is required to file the appropriate sundries and notify the Aztec OCD by September 15, 2017, which option will be pursued.

- **Properly T/A the well in accordance with 19.15.25.13**
- **Plug the well in accordance with 19.15.25.10**

The OCD is opting **NOT** to issue a NOTICE OF VIOLATION at this time for the failure to comply with OCD Rule 19.15.25.8 NMAC. However, be advised that if this well is not brought into compliance as directed the well may be subject to formal enforcement action.

If you have any questions, please call me at 505-334-6178, ext. 116.

Sincerely yours,



Brandon Powell
Inspection and Enforcement Supervisor
District III - Aztec
CC: Well File