



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Reese Fullerton

Deputy Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

April 23, 2007

Certified Mail

Return Receipt #: 7006 3450 0000 0451 8018

Mr. A. M. O'Hare
Maralex Disposal, LLC.
P.O. Box 338
Ignacio, Colorado 81137

RE: Trading Post Disposal #1, Unit Letter C, Section 26, Township 25 North, Range 11 West
API # 30-045-21470, San Juan County, New Mexico
Salt Water Disposal, permit SWD 782-A

Dear Mr. O'Hare:

On Tuesday April 17, 2007 Oil Conservation Division (hereinafter, "OCD") Deputy Oil and Gas Inspector Monica Kuehling witnessed a Mechanical Integrity Test on the Maralex Disposal LLC. (hereinafter, "Maralex") Trading Post #1 well

A Well file review provided the following information:

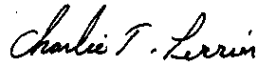
1. This well was a depleted Dakota producer of gas.
2. The OCD approved the well as an injection well of Fruitland waters into the lower Dakota in July 2000 with order SWD-782.
3. Maralex or its predecessor perforated and fraced this interval after doing some casing squeeze work.
4. The injection tests were not encouraging and Maralex asked to perforate the upper Dakota and the Mesaverde formations and the OCD permitted this in May 2002 with SWD-782-A.
5. The well file shows no indication this intended work was ever done and the Lower Dakota may still be the only interval open for injection.
6. A review of the well file shows that this well was inactive for years after 2002.

7. Maralex "re-activated" the well with injection into the Lower Dakota on January 25, 2006, and has since reported injection each month.
8. Rule 705.C. Abandonment of injection operations.
 - (1) Whenever there is a continuous one year period of non-injection into any injection project, storage project, salt water disposal well, or special purpose injection well, such project or well shall be considered abandoned, and the authority for injection shall automatically terminate ipso facto.
9. The well has been inactive for more than 1 year,
10. SWD permit 782-A includes "The injection authority granted herein shall terminate one year after the effective date of this order if the operator has not commenced injections operations into the subject well, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown,"
11. No request for an extension was received or approved
12. SWD permit 782-A expired.
13. In consideration of the events, Maralex has 30 days to
 - a. Apply for authority to dispose by submitting form C-108 complete with all attachments.
 - b. Submit a history summary of all work conducted on the well
 - c. submit a current wellbore schematic.
14. Maralex will be allowed to disposal into the Lower Dakota formation for 30 days from receipt of this notice,
15. If well has been perforated in the Meseverde the well is to be shut in until the permit is approved.
16. If the permit is not submitted in its entirety within 30 days Maralex is directed to shut the well in until approval of a disposal permit.

Thank you for your assistance in this matter. If you have any questions please do not hesitate to call at 505-334-6178 ex 10.

Mr. A. M. O'Hare
Maralex Disposal, LLC.
April 23, 2007
Page 3

Sincerely yours,



Charlie T. Perrin
District III Supervisor
charlie.perrin@state.nm.us

pc: Daniel Sanchez, OCD Compliance Manager
Gail Macquesten, OCD Assistant General Counsel
David Brooks, OCD Assistant General Counsel
Will Jones, OCD Engineering and Geological Services Bureau
Well file