

## 32C Centralized E&P Waste Management Facility

SESW Section 32, T5S, R96W, 6<sup>th</sup> P.M., Garfield County

Facility ID # 433736 / Pit Facility ID# 421284

### FORM 28 ANNUAL REPORT

Marathon Oil Company (Marathon) is submitting this 2014 annual report for the 32C Centralized E&P Waste Management Facility, ID # 433736, per the Form 28 permit's general site conditions of approval.

This facility was rebuilt in 2013 with a new double liner and leak detection system that is monitored electronically via Marathon's SCADA system. Construction of the new facility was completed the end of 2013. After the Form 15 Extension sundry notice was approved on January 9, 2014 (Doc #400537054), Marathon began filling the pond with produced water via the gun barrel tank separation system. The Form 28 permit approval was granted by the Colorado Oil & Gas Conservation Commission on July 25, 2014 (Doc #1733675).

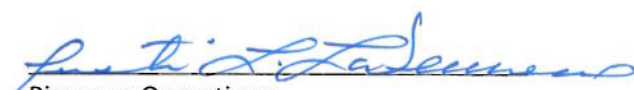
As of December 1, 2014, approximately 34,878 bbls of water have been discharged to the facility via pipeline and trucks, and approximately 23,694 bbls removed to offsite disposal. The attached graph illustrates the 32C pond water levels and 32C leak detection system levels from January 11 thru December 1, 2014. As the graph demonstrates, produced water was sent to the pond for storage during the winter & spring months (Jan-May). In May, an enhanced water evaporation system was piloted to increase water evaporation throughout the summer months thus lowering the water level. In August it was decided to store additional barrels of water at the facility for use in a beneficial water re-use opportunity with a third party, thus Marathon began pumping water back into the pond. The opportunity did not materialize, and in October Marathon began removing water from the facility for winter operations.

During the construction and installation of the leak detection system in late 2013, a precipitation event occurred resulting in approximately ½ foot of water becoming trapped in the system. As evidenced from the graph, the leak detection system increased only 0.48 ft. throughout the year. The system was pumped down to the original volume in December 2014. The amount pumped out of the system was approximately 20 gallons.

During the year, Marathon has maintained its monthly facility inspection program that consists of visual observations of the water level and quality, leak detection system, gun barrel separation equipment and security (fencing, netting & signage).

As evidenced from the SCADA data/graph and monthly facility inspections, Marathon believes the integrity of the pond liner and leak detection system is sound, and that the facility is being operated safely and responsibly.

MARATHON OIL COMPANY



Piceance Operations  
Production Supervisor  
Justin Lajeunesse

Figure 1: 32C Pond & LDS Level Graph

Figure 2: 32C Centralized E&P Waste Facility Summary Spreadsheet

Figure 1: 32C Pond & Leak Detection System Level Graph



Figure 2: 32C Centralized E&P Waste Facility Summary

Facility ID# 433736

	Bbls Pumped to the Pond	Bbls Trucked to the Pond	Total BBls Discharged into 32C Pond	Bbls Removed (via pumping/trucking)	Bbls Removed (via evaporation)	Total Bbls Removed	Rolling 12 Month Total (Bbls)	Comments
Dec-13	0	0	0	0	0	0	3,600	Approx 3 ft. of water left over from hydrotest
Jan-14	4,587	2,547	7,134	40	0	40	10,694	Pond put back into service under Form 15 Extension - 1/9/14
Feb-14	6,489	597	7,086	0	0	0	17,780	Winter storage
Mar-14	5,562	148	5,710	0	0	0	23,490	Winter storage
Apr-14	6190	0	6,190	0	0	0	29,680	Winter storage
May-14	2020	0	2,020	0	1,395	1,395	30,305	Enhanced evaporation (estimated ~45 bbls/day)
Jun-14	252	158	410	420	600	1,020	29,696	Natural evaporation - estimated rate of 20 bbls/day
Jul-14	0	0	0	925	620	1,545	28,150	Natural evaporation - estimated rate of 20 bbls/day
Aug-14	4775	0	4,775	212	620	832	32,094	Add to storage for potential 3rd party water share opportunity
Sep-14	872	0	872	0	0	0	32,966	3rd party water share deal did not happen; drain for winter
Oct-14	146	0	146	16,814	0	16,814	16,298	Drain for winter
Nov-14	184	350.7	535	5,283	0	5,283	11,549	Drain for winter
Dec-14								

Totals	31,077	3,801	34,878	23,694	3,235	26,929
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As of 11/29/14:

11,549

bbls

= approx 6 1/2 ft. water level per WH Smith survey chart for the 32C pond

SCADA Instrumentation Reading:

5.73

6.57

(this includes 0.833 ft. added to reading to account for the sensor not being on the bottom of the pond)