

Amo



COLORADO

Oil & Gas Conservation
Commission

Department of Natural Resources

1120 Lincoln Street, Suite 801
Denver, CO 80203

Maralex Resources, Inc
Received

MAR 1 2019

Ignacio
Colorado

February 26, 2019

Maralex Resources, Inc.
Attn: A.M. O'Hare, President
P.O. Box 338
Ignacio, CO 81137

Via Certified Mail (7016 2070 0000 4662 0951) and email to amohare@maralexinc.com

Re: Commission Order 1V-609 - Notification of Demand for Payment

Mr. O'Hare,

On December 12, 2016, the Colorado Oil and Gas Conservation Commission ("Commission") entered Order 1V-609 ("Order"), against Maralex Resources, Inc. ("Maralex") (Operator No. 53255). The Order required that Maralex plug and abandon or successfully perform a mechanical integrity test ("MIT") at sixteen Noncompliant Wells or demonstrate that Maralex spent \$1,305,000 in verified expenses toward plugging and abandoning or successfully MITing Noncompliant Wells in 2018. (Order, pg. 3). In correspondence with COGCC Enforcement Staff, Maralex admitted to spending only \$287,024.60 in compliance expenses, plugging and abandoning just two wells, and MITing only three wells in 2018 - violating Order 1V-609. The Order provided that upon Maralex's failure to fulfill the obligations summarized above, Maralex will pay a \$30,000 penalty for each Noncompliant Well where Maralex failed to complete the obligations summarized above, without further action from the Commission. (Order, pg. 4).

Therefore, pursuant to Order 1V-609, this letter constitutes written demand for payment of \$330,000. The Order provides that Maralex will pay any penalty due within 90 days after service of the Director's demand for payment pursuant to Rule 521. (Order, pg. 4). Should you have any questions, please contact Jeremy Ferrin, COGCC Enforcement Supervisor.

5186

Sincerely,

Jeff Robbins
Acting Director

P 303.894.2100 F 303.894.2109 www.colorado.gov/cogcc

Commissioners: John H. Benton - Chair, Howard Boigon - Co-Vice Chair, Tommy Holton - Co-Vice Chair,

Ashley L. Ager, James W. Hawkins, Kent Jolley, Erin A. Overturf, Dan Gibbs, Jill Hunsaker Ryan, MPH

Jared Polis, Governor | Dan Gibbs, Executive Director, DNR | Julie Murphy, Director | Jeff Robbins, Acting Director





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JUN 13 2019

COGCC

864 20 Road, Unit A
Fruita, Colorado 81521
(970) 858-8550
FAX (970) 858-8155

P.O. Box 338
Ignacio, Colorado 81137
(970) 563-4000
FAX (970) 563-4116

June 7, 2019

Mr. Jeremy Ferrin
Colorado Oil and Gas Conservation Commission
1120 Lincoln Street, Suite 801
Denver, CO 80203

Re: Commission Order 1V-609

Dear Mr. Ferrin,

As I explained to you in our phone conversation on the 31st of May, Maralex Resource, Inc. (Maralex) conveyed all of its right, title and interest in all of its Piceance Basin Properties to Vision Energy, LLC which is owned by Adelante Oil and Gas, LLC and Maralex Resources, Inc. Vision Energy then conveyed those rights to Global Vision Energy Partners, LLC, effective on September 1, 2018. Global Vision Energy Partners is owned by Khanjee Holding (US) and Vision Energy. Khanjee Holding (US) was supposed to supply all capital for the bonds and the work to be performed to bring the wells in compliance with the COGCC order and for development of the Properties. In fact, we were assured that Khanjee Holding (US) intended to have GVEP accelerate the compliance program and complete half of the remaining work on the list in 2018 and the other half in 2019. Unfortunately, Khanjee Holding (US) has still not provided the capital to GVEP, as promised

In fact, we had prepared the Form 10's for them to submit to change the operator of each of the wells. The only thing lacking for those forms was the Bond Number. We never received that number from GVEP and thus those forms were not submitted. In addition, Maralex had agreed to assist GVEP with field operations and back office functions for two years after the effective date of the sale. To date, we have not been compensated for any of that assistance.

Prior to the conveyance Maralex had completed MIT's and P&A's on five of the 16 wells required under the subject order. When we entered negotiations with Khanjee Holding, we ceased that work for two reasons. The first was the dramatic decrease in gas prices and our resulting drop in cash flow and the second was due to the assurance that the new owner would provide funds for that work, possibly even before closing. We fully expected all of the work to be done and Maralex acted in good faith.

I met with the CEO of Khanjee Holding last week and explained the extremely difficult situation that they have placed us in and requested his immediate assistance with the COGCC and the work that needs to be completed on the wells this year. He assured me that they would work with the COGCC and said he intended to meet with the new director.

With this background, I am writing to request some kind of clemency for Maralex with regard to the fine. We do not expect a full pardon. However, we do not think it is fair to hold us responsible for the entire amount of the fine when, 1) Maralex did perform some of the work, 2) Maralex has no direct ownership interest in the wells or leases, and 3) Maralex has made every effort to get the new owners to perform the work required under the order. To further show good faith, we are enclosing a certified check in the amount of \$100,000 to be applied against the fine.

As you pointed out in our phone conversation, this will likely have to be determined through higher channels. However, in our phone conversation, you gave me the impression that you would be speaking to your manager and would get back to me with an answer. Since I haven't heard from you, I thought I should take the initiative and try to get something resolved as soon as possible.

I appreciate any assistance you can provide in this regard and look forward to working with you to reach some kind of mutually acceptable resolution.

Sincerely,

Maralex Resources, Inc.

A handwritten signature in blue ink, appearing to read "A. M. O'Hare", with a stylized flourish at the end.

A. M. O'Hare, P.E.
President

0004890
Office AU # 11-24
1210(8)

CASHIER'S CHECK

SERIAL #: 0489001074
ACCOUNT#: 4861-511533

Remitter: MARALEX RESOURCES INC
Purchaser: MARALEX RESOURCES INC
Purchaser Account: 6489002234
Operator I.D.: u697896 uder9038
Funding Source: Paper Item(s)

PAY TO THE ORDER OF ***COLORADO OIL&GAS CONSERVATION COMMISSION***

June 11, 2019

One hundred thousand dollars and no cents

\$100,000.00

Payee Address: ORDER VI-109
Memo:

WELLS FARGO BANK, N.A.
615 GODDARD AVE
IGNACIO, CO 81137
FOR INQUIRIES CALL (480) 394-3122

NOTICE TO PURCHASER - IF THIS INSTRUMENT IS LOST,
STOLEN OR DESTROYED, YOU MAY REQUEST CANCELLATION
AND REISSUANCE AS A CONDITION TO CANCELLATION AND
REISSUANCE, WELLS FARGO BANK MAY IMPOSE A FEE AND
REQUIRE AN INDEMNITY AGREEMENT AND BOND.

VOID IF OVER US \$ 100,000.00

NON-NEGOTIABLE

W-609
53255 = op #

Purchaser Copy

FB004 MAC 80078634

PRINTED ON LINE MARK PAPER - HOLD TO LIGHT TO VIEW. FOR ADDITIONAL SECURITY FEATURES, SEE BACK.

0004890 11-24
Office AU # 1210(8)

CASHIER'S CHECK

0489001074

Remitter: MARALEX RESOURCES INC
Operator I.D.: u697896 uder9038

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IGNACIO, CO 81137
FOR INQUIRIES CALL (480) 394-3122

VOID IF OVER US \$ 100,000.00
AUTHORIZED SIGNATURE *Jaacel Hernandez*

⑈0489001074⑈ ⑆12100024861511533⑈