District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources
Department
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144
July 21, 2008

For temporary pits, closed-loop systems, and below-grade tanks, submit to the appropriate NMOCD District Office.
For permanent pits and exceptions submit to the Santa Fe Environmental Bureau office and provide a copy to the appropriate NMOCD District Office.

Pit, Closed-Loop System, Below-Grade Tank, or Proposed Alternative Method Permit or Closure Plan Application

DEC 10 2008
OCD-ARTESIA

AUG 12 2008
OCD-ARTESIA

Type of action:
- ☐ Permit of a pit, closed-loop system, below-grade tank, or proposed alternative method
- ☐ Closure of a pit, closed-loop system, below-grade tank, or proposed alternative method
- ☐ Modification to an existing permit
- ☒ Closure plan only submitted for an existing permitted or non-permitted pit, closed-loop system, below-grade tank, or proposed alternative method

Instructions: Please submit one application (Form C-144) per individual pit, closed-loop system, below-grade tank or alternative request

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

1

Operator: JALAPENO CORPORATION OGRID #:

Address: P.O BOX 1608; ALBUQUERQUE, NEW MEXICO 87103

Facility or well name: PAISANO FEDERAL NO. 1

API Number: 30-005-63840 OCD Permit Number:

U/L or Qtr/Qtr P Section 12 Township 9-S Range 27-E County: CHAVES

Center of Proposed Design Latitude 33 °32'27.75" N Longitude 104°08' 18.75" W NAD: ☐1927 ☐1983

Surface Owner: ☒ Federal ☐ State ☐ Private ☐ Tribal Trust or Indian Allotment

2.

☐ Pit: Subsection F or G of 19.15.17.11 NMAC

Temporary: ☐ Drilling ☐ Workover

☐ Permanent ☐ Emergency ☐ Cavitation ☐ P&A

☐ Lined ☐ Unlined Liner type: Thickness mil ☐ LLDPE ☐ HDPE ☐ PVC ☐ Other

☐ String-Reinforced

Liner Seams: ☐ Welded ☐ Factory ☐ Other Volume bbl Dimensions L x W x D

3

☐ Closed-loop System: Subsection H of 19.15.17.11 NMAC

Type of Operation: ☐ P&A ☐ Drilling a new well ☐ Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent)

☐ Drying Pad ☐ Above Ground Steel Tanks ☐ Haul-off Bins ☐ Other

☐ Lined ☐ Unlined Liner type: Thickness mil ☐ LLDPE ☐ HDPE ☐ PVC ☐ Other

Liner Seams: ☐ Welded ☐ Factory ☐ Other

4

☐ Below-grade tank: Subsection I of 19.15.17.11 NMAC

Volume bbl Type of fluid:

Tank Construction material:

☐ Secondary containment with leak detection ☐ Visible sidewalls, liner, 6-inch lift and automatic overflow shut-off

☐ Visible sidewalls and liner ☐ Visible sidewalls only ☐ Other

Liner type: Thickness mil ☐ HDPE ☐ PVC ☐ Other

ENTERED 12-17-08

5

☐ Alternative Method:

Submit the exceptions to Subsection E of 19.15.17.11 NMAC. Exceptions must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.

Fencing: Subsection D of 19.15.17.11 NMAC *(Applies to permanent pits, temporary pits, and below-grade tanks)*

[ ] Chain link, six feet in height, two strands of barbed wire at top *(Required if located within 1000 feet of a permanent residence, school, hospital, institution or church)*

[ ] Four foot height, four strands of barbed wire evenly spaced between one and four feet

[ ] Alternate. Please specify

Netting: Subsection E of 19.15.17.11 NMAC *(Applies to permanent pits and permanent open top tanks)*

[ ] Screen [ ] Netting [ ] Other

[ ] Monthly inspections (If netting or screening is not physically feasible)

Signs: Subsection C of 19.15.17.11 NMAC

[ ] 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers

[ ] Signed in compliance with 19.15.3.103 NMAC

Administrative Approvals and Exceptions:

Justifications and/or demonstrations of equivalency are required. Please refer to 19.15.17 NMAC for guidance.

Please check a box if one or more of the following is requested, if not leave blank:

[ ] Administrative approval(s): Requests must be submitted to the appropriate division district or the Santa Fe Environmental Bureau office for consideration of approval.

[ ] Exception(s): Requests must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.

Siting Criteria (regarding permitting): 19.15.17.10 NMAC

Instructions: The applicant must demonstrate compliance for each siting criteria below in the application. Recommendations of acceptable source material are provided below. Requests regarding changes to certain siting criteria may require administrative approval from the appropriate district office or may be considered an exception which must be submitted to the Santa Fe Environmental Bureau office for consideration of approval. Applicant must attach justification for request. Please refer to 19.15.17.10 NMAC for guidance. **Siting criteria does not apply to drying pads or above-grade tanks associated with a closed-loop system.**

Ground water is less than 50 feet below the bottom of the temporary pit, permanent pit, or below-grade tank. - NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	[ ] Yes [ ] No
Within 300 feet of a continuously flowing watercourse, or 200 feet of any other significant watercourse or lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). - Topographic map; Visual inspection (certification) of the proposed site	[ ] Yes [ ] No
Within 300 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. *(Applies to temporary, emergency, or cavitation pits and below-grade tanks)* - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	[ ] Yes [ ] No [ ] NA
Within 1000 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. *(Applies to permanent pits)* - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	[ ] Yes [ ] No [ ] NA
Within 500 horizontal feet of a private, domestic fresh water well or spring that less than five households use for domestic or stock watering purposes, or within 1000 horizontal feet of any other fresh water well or spring, in existence at the time of initial application. - NM Office of the State Engineer - iWATERS database search; Visual inspection (certification) of the proposed site	[ ] Yes [ ] No
Within incorporated municipal boundaries or within a defined municipal fresh water well field covered under a municipal ordinance adopted pursuant to NMSA 1978, Section 3-27-3, as amended. - Written confirmation or verification from the municipality; Written approval obtained from the municipality	[ ] Yes [ ] No
Within 500 feet of a wetland. - US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site	[ ] Yes [ ] No
Within the area overlying a subsurface mine. - Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division	[ ] Yes [ ] No
Within an unstable area. - Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources; USGS; NM Geological Society; Topographic map	[ ] Yes [ ] No
Within a 100-year floodplain. - FEMA map	[ ] Yes [ ] No

Temporary Pits, Emergency Pits, and Below-grade Tanks Permit Application Attachment Checklist: Subsection B of 19.15.17.9 NMAC

Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.

- [ ] Hydrogeologic Report (Below-grade Tanks) - based upon the requirements of Paragraph (2) of Subsection B of 19.15.17.9 NMAC
- [ ] Hydrogeologic Data (Temporary and Emergency Pits) - based upon the requirements of Paragraph (2) of Subsection B of 19.15.17.9 NMAC
- [ ] Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC
- [ ] Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC
- [ ] Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC
- [ ] Closure Plan (Please complete Boxes 14 through 18, if applicable) - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC

[ ] Previously Approved Design (attach copy of design) API Number or Permit Number

Closed-loop Systems Permit Application Attachment Checklist: Subsection B of 19.15.17.9 NMAC

Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.

- [ ] Geologic and Hydrogeologic Data (only for on-site closure) - based upon the requirements of Paragraph (2) of Subsection B of 19.15.17.9
- [ ] Siting Criteria Compliance Demonstrations (only for on-site closure) - based upon the appropriate requirements of 19.15.17.10 NMAC
- [ ] Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC
- [ ] Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC
- [ ] Closure Plan (Please complete Boxes 14 through 18, if applicable) - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC

[ ] Previously Approved Design (attach copy of design) API Number

[ ] Previously Approved Operating and Maintenance Plan API Number *(Applicable to the closed-loop system that will use above ground steel tanks or haul-off bins and propose to implement waste removal for closure)*

Permanent Pits Permit Application Checklist: Subsection B of 19.15.17.9 NMAC

Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.

- [ ] Hydrogeologic Report - based upon the requirements of Paragraph (2) of Subsection B of 19.15.17.9 NMAC
- [ ] Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC
- [ ] Climatological Factors Assessment
- [ ] Certified Engineering Design Plans - based upon the appropriate requirements of 19.15.17.11 NMAC
- [ ] Dike Protection and Structural Integrity Design - based upon the appropriate requirements of 19.15.17.11 NMAC
- [ ] Leak Detection Design - based upon the appropriate requirements of 19.15.17.11 NMAC
- [ ] Liner Specifications and Compatibility Assessment - based upon the appropriate requirements of 19.15.17.11 NMAC
- [ ] Quality Control/Quality Assurance Construction and Installation Plan
- [ ] Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC
- [ ] Freeboard and Overtopping Prevention Plan - based upon the appropriate requirements of 19.15.17.11 NMAC
- [ ] Nuisance or Hazardous Odors, including H2S, Prevention Plan
- [ ] Emergency Response Plan
- [ ] Oil Field Waste Stream Characterization
- [ ] Monitoring and Inspection Plan
- [ ] Erosion Control Plan
- [ ] Closure Plan (based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC

14.

Proposed Closure: 19.15.17.13 NMAC

Instructions: Please complete the applicable boxes, Boxes 14 through 18, in regards to the proposed closure plan.

Type: [X] Drilling [ ] Workover [ ] Emergency [ ] Cavitation [ ] P&A [ ] Permanent Pit [ ] Below-grade Tank [ ] Closed-loop System [ ] Alternative

Proposed Closure Method: [X] Waste Excavation and Removal

- [ ] Waste Removal (Closed-loop systems only)
- [ ] On-site Closure Method (Only for temporary pits and closed-loop systems)
  - [ ] In-place Burial [ ] On-site Trench Burial
- [ ] Alternative Closure Method (Exceptions must be submitted to the Santa Fe Environmental Bureau for consideration)

15.

Waste Excavation and Removal Closure Plan Checklist: (19.15.17.13 NMAC) ***Instructions: Each of the following items must be attached to the closure plan. Please indicate, by a check mark in the box, that the documents are attached.***

- [X] Protocols and Procedures - based upon the appropriate requirements of 19.15.17.13 NMAC
- [X] Confirmation Sampling Plan (if applicable) - based upon the appropriate requirements of Subsection F of 19.15.17.13 NMAC
- [X] Disposal Facility Name and Permit Number (for liquids, drilling fluids and drill cuttings)
- [X] Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
- [X] Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC
- [X] Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

17.
Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only: (19.15.17.13.D NMAC)
***Instructions:** Please indentify the facility or facilities for the disposal of liquids, drilling fluids and drill cuttings. Use attachment if more than two facilities are required.*

Disposal Facility Name: Disposal Facility Permit Number:

Disposal Facility Name: Disposal Facility Permit Number:

Will any of the proposed closed-loop system operations and associated activities occur on or in areas that *will not* be used for future service and operations?
☐ Yes (If yes, please provide the information below) ☐ No

Required for impacted areas which will not be used for future service and operations:
☐ Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
☐ Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC
☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

18.
Siting Criteria (regarding on-site closure methods only): 19.15.17.10 NMAC
***Instructions:** Each siting criteria requires a demonstration of compliance in the closure plan. Recommendations of acceptable source material are provided below. Requests regarding changes to certain siting criteria may require administrative approval from the appropriate district office or may be considered an exception which must be submitted to the Santa Fe Environmental Bureau office for consideration of approval. Justifications and/or demonstrations of equivalency are required. Please refer to 19.15.17.10 NMAC for guidance.*

Ground water is less than 50 feet below the bottom of the buried waste. - NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	☐ Yes ☐ No ☐ NA
Ground water is between 50 and 100 feet below the bottom of the buried waste - NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	☐ Yes ☐ No ☐ NA
Ground water is more than 100 feet below the bottom of the buried waste. - NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	☐ Yes ☐ No ☐ NA
Within 300 feet of a continuously flowing watercourse, or 200 feet of any other significant watercourse or lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). - Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within 300 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☐ No
Within 500 horizontal feet of a private, domestic fresh water well or spring that less than five households use for domestic or stock watering purposes, or within 1000 horizontal feet of any other fresh water well or spring, in existence at the time of initial application. - NM Office of the State Engineer - iWATERS database; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within incorporated municipal boundaries or within a defined municipal fresh water well field covered under a municipal ordinance adopted pursuant to NMSA 1978, Section 3-27-3, as amended. - Written confirmation or verification from the municipality; Written approval obtained from the municipality	☐ Yes ☐ No
Within 500 feet of a wetland. - US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within the area overlying a subsurface mine. - Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division	☐ Yes ☐ No
Within an unstable area. - Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources; USGS; NM Geological Society; Topographic map	☐ Yes ☐ No
Within a 100-year floodplain. - FEMA map	☐ Yes ☐ No

19.
On-Site Closure Plan Checklist: (19.15.17.13 NMAC) ***Instructions:** Each of the following items must be attached to the closure plan. Please indicate, by a check mark in the box, that the documents are attached.*
☐ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC
☐ Proof of Surface Owner Notice - based upon the appropriate requirements of Subsection F of 19.15.17.13 NMAC
☐ Construction/Design Plan of Burial Trench (if applicable) based upon the appropriate requirements of 19.15.17.11 NMAC
☐ Construction/Design Plan of Temporary Pit (for in-place burial of a drying pad) - based upon the appropriate requirements of 19.15.17.11 NMAC
☐ Protocols and Procedures - based upon the appropriate requirements of 19.15.17.13 NMAC
☐ Confirmation Sampling Plan (if applicable) - based upon the appropriate requirements of Subsection F of 19.15.17.13 NMAC
☐ Waste Material Sampling Plan - based upon the appropriate requirements of Subsection F of 19.15.17.13 NMAC
☐ Disposal Facility Name and Permit Number (for liquids, drilling fluids and drill cuttings or in case on-site closure standards cannot be achieved)
☐ Soil Cover Design - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
☐ Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC
☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

19.
Operator Application Certification:

I hereby certify that the information submitted with this application is true, accurate and complete to the best of my knowledge and belief.

Name (Print): HARVEY E. YATES, JR. Title: PRESIDENT

Signature: Jalapeno Corporation by [signature] Date: 8/6/08

e-mail address: Telephone: 505-242-2050

20.
OCD Approval: ☐ Permit Application (including closure plan) ☒ Closure Plan (only) ☐ OCD Conditions (see attachment)

OCD Representative Signature: Signed By [signature] Approval Date: AUG 12 2008

Title: Field Supervisor OCD Permit Number: N/A

21.
Closure Report (required within 60 days of closure completion): Subsection K of 19.15.17.13 NMAC

Instructions: *Operators are required to obtain an approved closure plan prior to implementing any closure activities and submitting the closure report. The closure report is required to be submitted to the division within 60 days of the completion of the closure activities. Please do not complete this section of the form until an approved closure plan has been obtained and the closure activities have been completed.*

☒ Closure Completion Date: 10/7/08

22.
Closure Method:

☒ Waste Excavation and Removal ☐ On-Site Closure Method ☐ Alternative Closure Method ☐ Waste Removal (Closed-loop systems only)

☐ If different from approved plan, please explain.

23.
Closure Report Regarding Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only:

Instructions: *Please indentify the facility or facilities for where the liquids, drilling fluids and drill cuttings were disposed. Use attachment if more than two facilities were utilized.*

Disposal Facility Name: Disposal Facility Permit Number:

Disposal Facility Name: Disposal Facility Permit Number:

Were the closed-loop system operations and associated activities performed on or in areas that *will not* be used for future service and operations?

☐ Yes (If yes, please demonstrate compliance to the items below) ☐ No

Required for impacted areas which will not be used for future service and operations.

☐ Site Reclamation (Photo Documentation)
☐ Soil Backfilling and Cover Installation
☐ Re-vegetation Application Rates and Seeding Technique

24.
Closure Report Attachment Checklist: ***Instructions:*** *Each of the following items must be attached to the closure report. Please indicate, by a check mark in the box, that the documents are attached.*

☒ Proof of Closure Notice (surface owner and division)
N/A ☐ Proof of Deed Notice (required for on-site closure)
☒ Plot Plan (for on-site closures and temporary pits)
☒ Confirmation Sampling Analytical Results (if applicable)
N/A ☐ Waste Material Sampling Analytical Results (required for on-site closure)
☒ Disposal Facility Name and Permit Number
☒ Soil Backfilling and Cover Installation
☒ Re-vegetation Application Rates and Seeding Technique
☒ Site Reclamation (Photo Documentation)

On-site Closure Location: Latitude 33° 32' 27.75" N Longitude 104° 03' 13.75" W NAD: ☐ 1927 ☐ 1983

25.
Operator Closure Certification:

I hereby certify that the information and attachments submitted with this closure report is true, accurate and complete to the best of my knowledge and belief. I also certify that the closure complies with all applicable closure requirements and conditions specified in the approved closure plan.

Name (Print) HARVEY E. YATES, JR. Title PRESIDENT

Signature: Jalapeno Corporation by [signature] Date 11/07/08

e-mail address: Telephone 505-242-2050

JALAPENO CORPORATION
PAISANO FEDERAL #1

24. CLOSURE REPORT ATTACHMENT CHECKLIST: (19.15.17.13 NMAC)

☒ **PROOF OF CLOSURE NOTICE (SURFACE OWNER AND DIVISION)**

In accordance with Subsection J of 19.15.17.13 NMAC, the surface owner (BLM) was notified by certified receipt requested, that we plan to close the temporary pit. (See attached letter to BLM, a copy of the Certified Mail Receipt and a copy of the Domestic Return Receipt signed by BLM employee, Carol Hines).

☒ **PLOT PLAN**

See attached Plot Plan.

☒ **CONFIRMATION SAMPLING ANALYTICAL RESULTS**

In accordance with Subsection B (1) (b) (ii) 19.15.17.13 NMAC, soil samples were collected by Gene Shull of Shull Oil Field Services and sent to Cardinal Laborites to be analyzed for Benzene, total BTEX, TPH, GRO & DRO combined fraction and chlorides using EPA SW-846 methods to determine if samples exceed OCD accepted levels. (See attached Analytical Results). The soil samples results were sent to Mike Bratcher in the Roswell OCD office. After reviewing these results, Mr. Bratcher gave authorization for Mr. Shull to process with completion of the pit closure.

☒ **DISPOSAL FACILITY NAME AND PERMIT NUMBER**

Disposal Facility Name: GANDY MARLEY LANDFARM *Disposal Facility Permit Number:* 19

☒ **SOIL BACKFILL AND COVER INSTALLATION**

In accordance with Subsection H of 19.15.17.13 NMAC, the pit was backfilled with stockpile of topsoil and clean soil. No mud and/or cuttings from the pit were use in the backfill. Mr. Shull constructed the soil cover to the site's existing grade to prevent ponding of water and erosion of the cover material. (See attached letter from Gene Shull).

☒ **RE-VEGETATION APPLICATION RATES AND SEEDING TECHNIQUE**

In accordance with Subsection I of 19.15.17.13 NMAC and BLM's Reserve Pit Reclamation Requirements, the stockpile of topsoil was spread over the pit site to cultivate a seed bed. We used BLM's Desired Plant Community seed mixture for this geographic area (see attached the BLM's Surface Reclamation/Restoration Requirements for the Paisano and a copy of the seed sack mixture used in the seeding of the pit area) which also corresponds to the OCD's requirements.

The seed mixture was applied and the seeding process was completed in compliance with both BLM's and OC's requirements and regulations. (See attached letter from Gene Shull).

☒ **SITE RECLAMATION (PHOTO DOCUMENTATION)**

In accordance with Subsection G of 19.15.17.13 NMAC, we have reclaimed the pit location and have substantially restored the impacted surface area to the condition that existed prior to oil operations in accordance to our Soil Backfill and Cover Design Specifications plan. We have, also, recontoured the location and associated areas to a contour that approximates the original contour and blends with the surrounding topography and re-vegetate according to our Re-vegetation Plan. (See attached photos and letter from Gene Shull).