

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 CLEZ  
July 21, 2008

For closed-loop systems that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure, submit to the appropriate NMOC District Office.

**Closed-Loop System Permit or Closure Plan Application**

(that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure)

Type of action: ☒ Permit ☐ Closure

Instructions: Please submit one application (Form C-144 CLEZ) per individual closed-loop system request. For any application request other than for a closed-loop system that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure, please submit a Form C-144.

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: OXY USA c/o Dugan Production OGRID #: 16696  
Address: PO Box 420, Farmington, NM 87499  
Facility or well name: Gillespie Federal 1  
API Number: 30-045-26611 OCD Permit Number:  
U/L or Qtr/Qtr J Section 29 Township 232N Range 8W County: San Juan  
Center of Proposed Design: Latitude 36.19681 N Longitude 107.702 W NAD: ☒ 1927 ☐ 1983  
Surface Owner: ☒ Federal ☐ State ☐ Private ☐ Tribal Trust or Indian Allotment

2.  
☒ **Closed-loop System:** Subsection H of 19.15.17.11 NMAC  
Operation: ☐ Drilling a new well ☐ Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent) ☒ P&A  
☒ Above Ground Steel Tanks or ☐ Haul-off Bins

3.  
**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  
RCVD SEP 21 '12  
OIL CONS. DIV.  
DIST. 3

4.  
**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.  
☒ 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 Box 5) - 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:

5.  
**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 identify 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: Basin Disposal Disposal Facility Permit Number: NM-01-001B  
Disposal Facility Name: Envirotech Disposal Facility Permit Number: NM-01-0011  
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

6.  
**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): John Alexander Title: Agent  
Signature: John Alexander Date: 9/20/2012  
e-mail address: john.alexander@duganproduction.com Telephone: 505-325-1821

7. **OCD Approval:** ☒ Permit Application (including closure plan) ☐ Closure Plan (only)

OCD Representative Signature: Jonathan D. Kelly

Approval Date: 9/24/2012

Title: Compliance Officer

OCD Permit Number: \_\_\_\_\_

8. **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: \_\_\_\_\_

9. **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

10. **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): \_\_\_\_\_

Title: \_\_\_\_\_

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

e-mail address: \_\_\_\_\_

Telephone: \_\_\_\_\_

OXY USA Inc  
Closed-Loop System Plan: P&A  
Gillespie Federal 1  
API 30-045-26611

In accordance with Rule 19.15.17 NMAC, the following plan describes the general Design, Operating & Maintenance, and Closure of the proposed Closed-Loop systems for this well.

**Closed-Loop Design Plan:**

The Closed-Loops System will consist of one or more temporary above-ground steel tank(s) or waste pit(s) suitable for holding all cuttings and fluids circulated from the well during the planned rig operations. The tank(s) will be of sufficient volume to maintain a safe free-board between disposal of the liquids and solids from rig operations. Additional design considerations include:

1. This Closed-Loop System will not use a drying pad, temporary pit, below-grade tank or sump.
2. Fencing is not required for an above-ground closed-loop system.
3. It will be signed in compliance with 19.15.3.103 NMAC.
4. A frac tank or water truck will be on location to store fresh water.
5. Tanks will be replaced on the active and disturbed areas of the well location and within the existing ROW footprint.

**Closed-Loop Operating Plan:**

The Closed-Loops System will be operated and maintained: to contain liquids and solids. The following steps will be followed to attain this goal:

1. The liquids in the steel tank(s) will be vacuumed out and disposed of at one of the following facilities depending on the proximity of the well and the disposal volumes: Auga Moss — Pretty Lady (Permit 30-045-30922); Basin Disposal (Permit: NM-01-0005); Sunco Disposal #1 (NM 01-009) or T-N-T Environmental (NM 01-008).
2. Solids in the Closed-Loop tank will be vacuumed out and disposed of at one of the following facilities depending on the proximity of the well and the disposal volumes: Envirotech (Permit Number NM-01-0011); Industrial Ecosystems Inc (Permit NM 1-10-B) or T-N-T Environmental (NM 01-008) on a periodic basis as necessary to prevent over topping
3. No hazardous waste, miscellaneous solid waste or debris will be discharged into or stored in the tank(s). Only fluids or cutting intrinsic to, used or generated by rig operations will be placed or stored in the tank(s).
4. The Division District office will be notified within 48 hours of the discovery of compromised integrity of the Closed-Loop System. Upon discovery of the compromised tank, repairs will be enacted immediately.
5. All of the above operations will be inspected each day and any irregularities will be recorded, signed and dated. During rig operations the inspection will be daily.

**Closed-Loop Closure Plan:**

The Closed-Loops System will be closed in accordance with 19.15.17.13. This will be done by:

1. Transport for disposal all remaining liquids to one of the following facilities depending on the proximity of the disposal well and disposal volumes: Auga Moss - Pretty Lady (Permit 30-045- 30922); Basin Disposal (Permit: NM-01-0005); Sunco Disposal #1 (NM 01-009) or T-N-T Environmental (NM 0 1-008).
2. Transporting cuttings and all remaining sludge to an approved facility: Envirotech (Permit Number NM-01-0011); Industrial Ecosystems Inc (Permit NM 1-10-B) or T-N-T Environmental (NM 01-008) as reasonable as possible after the rig activities.
3. Removal of the tank(s) from the well location after the rig activities has been completed.
4. At the time of well abandonment, the site will be reclaimed and re-vegetated to pre-existing conditions when possible, or as stipulated by the landowner in a surfae use agreement. Timing of reseeding, seed mix, and assessment of successful reclamation will be in compliance with conditions in APD.