

Ocean Munds-Dry omundsdry@hollandhart.com

April 10, 2009

VIA HAND-DELIVERY

, ¥∹ .

Mr. Mark Fesmire, P. E. Director Oil Conservation Division New Mexico Department of Energy, Minerals and Natural Resources 1220 South Saint Francis Drive Santa Fe. New Mexico 87505 RECEIVED

Re: <u>Case No. 14022/ Order No. R-12841</u>: Application of Dan A. Hughes Company, L.P. for Approval of a Unit Agreement, Hidalgo County, New Mexico. (Hueco South Exploratory Unit)

<u>Case No. 14199/ Order No. R-13102</u>: Application of Dan. A Hughes Company, L.P. for Approval of a Unit Agreement, Hidalgo County, New Mexico. (North Big Hatchet Exploratory Unit)

Dear Mr. Fesmire:

The New Mexico Oil Conservation Division issued Order Nos. R-12841 and R-13102 approving the Hueco South Exploratory Unit and the North Big Hatchet Exploratory Unit respectively. In both orders, the Division has the "option of requiring notice and public hearing prior to approval of the drilling permits." Ordering Paragraphs 6. The operator of these units, Dan A. Hughes Company, L.P., respectfully requests the following Applications for Permit to Drill (APD) be approved administratively:

(1)Application for Permit to Drill (C-101) to re-enter the Hueco South Unit 26 State No. 1 (API No. 30-023-20012) at a location 660 from the South and West lines of Section 26, Township 32 South, Range 17 West, NMPM; and

(2) Application for Permit to Drill (C-101) to drill the Big Hatchet North Unit 14 State No. 1 (API No. ____) at a location 1485 feet from the North line and 1980 feet from the East line of Section 14, Township 30 South, Range 17 West, NMPM.

The original forms have been sent to the Artesia District Office for filing and review and a copy has been included with this letter for your ease of reference.

Holland & Hart LP Phone [505] 988-4421 Fax [505] 983-6043 www.hollandhart.com 110 North Guadalupe Suite 1 Santa Fe, NM 87501 Mailing Address P.O. Box 2208 Santa Fe, NM 87504-2208

April 10, 2009 Page 2

HOLLAND&HART

The initial test well in the Hueco South Exploratory Unit was approved after hearing by Order No. R-12853. No parties appeared or objected to the APD. Dan A. Hughes Company now plans to re-enter the Hueco South Unit 26 State No. 1 and deepen the well from 10,000 feet to 13,000 feet. In order to meet its drilling obligations under the Unit Agreement, Dan A. Hughes Company must be drilling this well by June 5, 2009. The proposed casing and cement program for this re-entry is designed to continue to be protective of all fresh water sources. Ground water was measured to be present from 200 to 243 feet. As indicated in the APD and attached wellbore schematic, the surface casing and cement was set at a depth of 508 feet well below the ground water source.

In the Big Hatcher North Unit, Dan A. Hughes Company proposes to drill the Big Hatchet North Unit 14 State No. 1 to a total depth of 7000 feet. The oil and gas leases in this Unit begin to expire June 1, 2009 and therefore Dan A. Hughes Company must be drilling a well by that time to keep the Unit in effect. As shown on the the attached wellbore schematic, the well has been designed to be fully protective of protectable ground water. In addition, Dan A. Hughes Company will run all required logging on this well to detect and protect ground water.

Dan A. Hughes Company therefore requests these applications be processed and approved by the Division's Artesia District Office. Thank you for your consideration and please feel free to contact me if you have any questions. Mr. Jeff Ilseng, Operations Manager for Dan A. Hughes Company may also be contacted for any technical questions regarding the APD's at (361) 358-3752.

Sincerely, Jean Murds-12. Ocean Munds-Drv

Attorney for Dan A. Hughes Company, LP

cc: William Jones Sherry Bonham, Artesia District Manager Robert Holder

Digital III Oil Conservation Division Submit to appropriate District Offic Digital III 1220 South St. Francis Dr. Image: State Francis Dr. Image: State Francis Dr. 2120 St. Francis Dr. Santa Fr. NM 87305 Santa Fr. NM 87305 Image: State Francis Dr. 2120 St. Francis Dr. Santa Fr. NM 87305 Santa Fr. NM 87305 Image: State Francis Dr. 2120 St. Francis Dr. Santa Fr. NM 87305 Santa Fr. NM 87305 Image: State Francis Dr. 2120 St. Francis Dr. Santa Fr. NM 87305 Santa Fr. NM 87305 Santa Fr. NM 87305 2120 St. Francis Dr. Santa Fr. NM 87305 Santa Fr. NM 87305 Santa Fr. NM 87305 2120 St. Francis Dr. Santa Fr. NM 87305 Santa Fr. NM 87305 Santa Fr. NM 87305 2120 St. Francis Dr. Santa Fr. NM 87305 Santa Fr. NM 87305 Santa Fr. NM 87305 2120 St. Francis Dr. Santa Fr. NM 87305 Santa Fr. NM 87305 Santa Francis Dr. Santa Fr. NM 87305 2130 St. Francis Dr. Santa Fr. NM 87305 Santa Francis Dr. Santa Fr. NM 87305 Santa Francis Dr. Santa Fr. NM 87305 2140 State Transit Dr. Santa Fr. NM 87305 Santa Francis Dr. Santa Fr. NM 87305 Santa Francis Dr. Santa Fr. NM 87305 2140 State Transit Dr. Santa Fr. NM 87305 Santa Francis Dr. Santa Fr. NM 87305 Santa Francis Dr. Santa Fr. NM 87305 2151 State Transit Dr. Santa Francis Dr. Santa Francis Dr. Santa Francis Dr. Santa Fr. NM 87305 Santa Francis Dr. Santa Francis Dr	District I State of 1625 N. French Dr., Hobbs, NM 88240 Energy Mineral District II Energy Mineral					of New Me als and Natur	xico al Reso	urces			Form C-101 June 16, 2008		
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E-mail Address: jeffi@dahughes.net	Title:	Оре	ration	s Manager			Approval Date:		E	xpiration D	ate:		
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Date: 4/6/2009 FIGHE: 361/358-3752 Conditions of Approval Attached	Date: 4/6	Date: 4/6/2009 Phone: 361/358-3752					Conditions of Ap	proval Atta	ched 🗌				

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DIRECTIONS: Located Township 32S Range 17W, Section 26, SW/4 SW/4, 660' FSL x 660' FWL



DIRECTIONS: Located Township 32S Range 17W, Section 26, SW/4 SW/4, 660' FSL x 660' FWL



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

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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								
Type of action: X 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								
below-grade tank or proposed alternative method								
Instructions: Plags submit an annication (Form C-1/4) nor individual nit closed loop system below and a 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.								
Deperator: Dan A. Hughes Company, L.P. OGRID #: 251054								
Address: P. O. Drawer 669, 208 E. Houston St., Beeville, TX 78104								
Facility or well name: Hueco South Unit 26 State #001								
API Number: 30-023-20012 OCD Permit Number:								
U/L or Qtr/Qtr M Section 26 Township 32S Range 17W County: Hidalgo								
Center of Proposed Design: Latitude Longitude NAD: 1927 1983								
Surface Owner: 🔲 Federal 🕅 State 🗍 Private 🔲 Tribal Trust or Indian Allotment								
Temporary: Drilling Workover								
Permanent Emergency Cavitation P&A								
Lined Liner type: Thicknessmil LLDPE HDPE PVC Other								
String-Reinforced								
Liner Seams: Welded Factory Other Volume: bbl Dimensions: L x W x D								
3. X Closed-loop System: Subsection H of 19.15.17.11 NMAC Type of Operation: P&A Drilling a new well X Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent) Re-enter well & deepen well from 10,000' to 13,000' Drying Pad X Above Ground Steel Tanks Haul-off Bins Other 100% haul-off Lined Unlined Liner type: Thickness mil LLDPE HDPE PVC Other								
Liner Seams: 🗌 Welded 🔲 Factory 🗌 Other								
Below-grade tank: Subsection 1 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: Thicknessmil HDPE PVC Other								
5.								
L <u>Alternative Wiethod</u> :								

Submittal of an exception request is required. 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

9.	

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8.

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.

10. 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 accept	table source
material are provided below. Requests regarding changes to certain siting criteria may require administrative approval from the appro	priate district
office or may be considered an exception which must be submitted to the Santa Fe Environmental Bureau office for consideration of a	pproval.
Applicant must attach justification for request. Please refer to 19.15.17.10 NMAC for guidance. Siting criteria does not apply to dry	ng 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
 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
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

11. 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 (4) 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 19.15.17.10 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:
12. 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 (3) 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 19.15.17.10 NMAC
 Design full obset upon the appropriate equivalence of appropriate requirements of 19.15.17.12 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:
above ground steel tanks or haul-off bins and propose to implement waste removal for closure) 13. 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 (1) 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 Cather Chifed 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 Lak Detection Design - 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 19.15.17.11 NMAC Image: Prevention Plan - based upon the appropriate requirements of 19.15.17.11 NMAC Image: Prevention Plan - based upon the appropriate requirements of 19.15.17.11 NMAC Image: Plan - based upon the appropriate requirements of 19.15.17.11 NMAC Image: Plan - based upon the appropriate requirements of 19.15.17.11 NMAC Image: Plan - based upon the appropriate requirements of 19.15.17.11 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: Drilling Workover Alternative Permanent Pit Below-grade Tank Proposed Closure Method: 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. 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 Disposal Facility Name and Permit Number (for liquids, drilling fluids and drill cuttings) 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 G of 19.15.17.13 NMAC Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

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Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only: (19.15.17.13. Instructions: Please indentify the facility or facilities for the disposal of liquids, drilling fluids and drill cuttings. Use attachment if facilities are required.	D NMAC) more than two
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 <i>will not</i> be used for future ser Ves (If yes, please provide the information below) No	vice and operations?
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	c
^{17.} <u>Siting Criteria (regarding on-site closure methods only)</u> : 19.15.17.10 NMAC Instructions: Each siting criteria requires a demonstration of compliance in the closure plan. Recommendations of acceptable sou provided below. Requests regarding changes to certain siting criteria may require administrative approval from the appropriate dist considered an exception which must be submitted to the Santa Fe Environmental Bureau office for consideration of approval. Just demonstrations of equivalency are required. Please refer to 19.15.17.10 NMAC for guidance.	rce material are rict office or may be ifications and/or
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
 18. On-Site Closure Plan Checklist: (19.15.17.13 NMAC) Instructions: Each of the following items must be attached to the closure plan 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 19.15.17.13 NMAC Confirmation Sampling Plan (if applicable) - based upon the appropriate requirements of Subsection F of 19.15.17.13 NMAC 	an. Please indicate, 15.17.11 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

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^{19.} Operator Application Certification:	aliaf						
Name (Print): Jeff Ilseng, P.E. Title: Operations Manager	cher.						
Signature: 4/6/2009							
e-mail address: jeffi@dahughes.net Telephone: 361/358-3752							
20. OCD Approval: Permit Application (including closure plan) Closure Plan (only) OCD Conditions (see attachment)							
OCD Representative Signature: Approval Date:							
Title: OCD Permit Number:							
^{21.} <u>Closure Report (required within 60 days of closure completion)</u> : 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:							
Closure Method: Waste Excavation and Removal On-Site Closure Method If different from approved plan, please explain.	-loop systems only)						
^{23.} Closure Report Regarding Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul- Instructions: Please indentify the facility or facilities for where the liquids, drilling fluids and drill cuttings were disposed. Use att two facilities were utilized.	<u>-off Bins Only</u> : tachment if more than						
Disposal Facility Name: Disposal Facility Permit Number:							
Were the closed-loop system operations and associated activities performed on or in areas that <i>will not</i> be used for future service and o Yes (If yes, please demonstrate compliance to the items below) No	operations?						
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 mark in the box, that the documents are attached. Proof of Closure Notice (surface owner and division) Proof of Deed Notice (required for on-site closure) Plot Plan (for on-site closures and temporary pits) Confirmation Sampling Analytical Results (if applicable) 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)	indicate, by a check						
On-site Closure Location: Latitude Longitude NAD: []192	27 [] 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 belief. I also certify that the closure complies with all applicable closure requirements and conditions specified in the approved closure	y knowledge and e plan.						
Name (Print): Title:							
Signature: Date:							
e-mail address: Telephone:							

District I State of 1625 N. French Dr., Hobbs, NM 88240 Energy Minerals						of New Mexico Is and Natural Resources						
District II 1301 W. Grand Avenue, Artesia, NM 88210 District III						ion Di	vision	S	ubmit to a	approp	priate District Office	
1000 Rio Brazos Road, District IV	Aztec, NM 87	410		1220 S	outh St.	uth St. Francis Dr.						
1220 S. St. Francis Dr.,	Santa Fe, NM	87505		Sant	a Fe, N	M 875	05					
APPLIC	ATION F	OR PERM	IIT TO	DRILL, F	E-EN	ΓER, I	DEEP	EN, PLUGBA	ACK, C	DR A	DD A ZONE	
Dan A. Hugh	es Com	pany, L.		» 	V 704	.				umber		
P.O. Drawer 66	9,208 E	Houston	St., B	eeville, I	X /81	04		30 -		• 1 1/2		
Property Code		Big Ha	tchet	North L	nit 1	it 14 State 001						
Wil	dcat, P	Proposed Pool 1 ercha Sh	ale					¹⁰ Prop	osed Pool 2			
				⁷ Surf	ace Lo	cation						
UL or lot no. Section M 14	Township 305	Range 17W	Lot 1	ldın Feet 14	from the 85 ¹	North/South line		Feet from the 1980	East/Wes	East/West line County		
		⁸ Pi	oposed B	ottom Hole I	ocation	If Diffe	rent From	n Surface			1	
UL or lot no. Section	Township	Range	Lot I	ldn Feet	from the	North/S	outh line	Feet from the	East/Wes	t line	County	
L				Additional	Well In	1 1forma	tion		l		L	
¹¹ Work Type Code		¹² Well Type Co	ode	¹³ Ca	ble/Rotary		1.	Lease Type Code		¹⁵ Gro	und Level Elevation	
16 Multiple		¹⁷ Proposed Dep		18 F	ormation			¹⁹ Contractor			²⁰ Spud Date	
No		7000'		Percha	h Sha	le	Patte	erson Drig	<u>. Ma</u>	ay 3	30, 2009	
			²¹ D rov	naged Casi	an and	Campon	t Duo a					
Uala Siza		ing Sizo	Casin	posed Casi		Cemer	u Prog	Faile Seales of Co			Estimated TOC	
12-1/4"	9-	5/8"	36# J	-55 LT&	d	500'	epui	Sacks of Ce			Surface	
7-7/8"	5-	1/2"	17# J	17# J-55 LT&C		7000'					5000'	
								1				
²² Describe the propose	CK, give t	he data or	the prese	nt productive zone a	nd proposed	d new j	productive zone.					
	evention progr	ani, ii any. Ose a		leets if fieldssai	, ,				•			
A closed lo	See attached proposed wellbore schematic A closed loop system with steel tanks will						it pre with	venters d 100% haul	agram -off.	1.		
						useu			0			
²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief.								ONSERVAT			ION	
$\cap 0$												
Signature:				Appro	Approved by:							
Printed name:					Title		······	<u> </u>	<u></u> .			
Jeff Useng, P.E.					1 IUC.							
Operations Manager					Appro	vai Date:		E	xpiration D	ate:		
E-mail Address: j	effi@dah	ughes.no	et						·····			
Date: 4/6/2009		Phone: 36	/358-	3752	Condit	ions of Ap	proval Atta	iched				

HUPE SCHEMATIC





DIRECTIONS: Located Township 30S Range 17W, Section 14, 1485' FNL x 1980' FEL

District 1 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

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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.

<u>Pit, Closed-Loop System, Below-Grade Tank, or</u> Proposed Alternative Method Permit or Closure Plan Application								
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.								
Derator: Dan A. Hughes Company, L.P. OGRID #:								
Address: P. O. Drawer 669, 208 E. Houston St., Beeville, TX 78104								
Facility or well name: Big Hatchet North Unit 14 State #001								
API Number: OCD Permit Number:								
U/L or Qtr/Qtr M Section 14 Township 30S Range 17W County: Hidalgo								
Center of Proposed Design: Latitude Longitude 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: Thicknessmil LLDPE HDPE PVC Other								
String-Reinforced								
Liner Seams: Welded Factory Other Volume: bbl Dimensions: L x W x D								
3. M Classed Lean Systems - Subsection H of 10 15 17 11 NMAC								
Δ <u>Closed-100p System</u> : Subsection 1 of 19.19.17.11 NMAC Type of Operation: $\Box P \& A \boxtimes$ Drilling a new well \Box Workover or Drilling (Applies to activities which require prior approval of a permit or potice of								
intent)								
Drying Pad X Above Ground Steel Tanks Haul-off Bins Other <u>100% haul-off</u> of cuttings & mud								
Lined Unlined Liner type: Thicknessmil 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 U Visible sidewalls, liner, 6-inch lift and automatic overflow shut-off								
Visible sidewalls and liner Visible sidewalls only Other								
Liner type: Thicknessmil [] HDPE [] PVC [] Other								
5.								

Alternative Method:

Submittal of an exception request is required. 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

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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 acce- material are provided below. Requests regarding changes to certain siting criteria may require administrative approval from the appr- office or may be considered an exception which must be submitted to the Santa Fe Environmental Bureau office for consideration of a Applicant must attach justification for request. Please refer to 19.15.17.10 NMAC for guidance. Siting criteria does not apply to dry above-grade tanks associated with a closed-loop system.	ptable source opriate district approval. ving pads or
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
 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

1). 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 (4) 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 19.15.17.12 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:	
12. 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 (3) 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: (Applies only to closed-loop system that use	
above ground steel tanks or haul-off bins and propose to implement waste removal for closure)	
13. 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 (1) 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 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 19.15.17.11 NMAC Nuisance or Hazardous Odors, including H ₂ S, Prevention Plan Emergency Response Plan Oil Field Waste Stream Characterization Monitoring and Inspection Plan Errosion Control Plan Closure Plan - based upon the appropriate requirements of 19.15.17.13 NMAC	
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: Drilling Workover Emergency Cavitation P&A Permanent Pit Below-grade Tank Closed-loop System Alternative Proposed Closure Method: 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. 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 Disposal Facility Name and Permit Number (for liquids, drilling fluids and drill cuttings) 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 G of 19.15.17.13 NMAC Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC	

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16. <u>Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only</u> : (19.15.17.13.D NMAC) <u>Instructions</u> : Please indentify the facility or facilities for the disposal of liquide, drilling fluide and drill cuttings. Use attachment if more than two		
facilities are required.		
sposal 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 <i>will not</i> 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		
^{17.} <u>Siting Criteria (regarding on-site closure methods only)</u> : 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 play- 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	
18. 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.		

Waste Material Sampling Flair - based upon the appropriate requirements of Subsection F of 19.15.17.15 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

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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): Jeff Ilseng, P.E Title: Operations Manager		
Lignature:		
e-mail address: jeffi@dahughes.net Telephone: 361/358-3752		
20. OCD Approval: Permit Application (including closure plan) Closure Plan (only) OCD Conditions (see attachment)		
OCD Representative Signature: Approval Date:		
Title: OCD Permit Number:		
^{21.} <u>Closure Report (required within 60 days of closure completion)</u> : 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.		
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.} <u>Closure Report Regarding Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only:</u> 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 <i>will not</i> 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) Proof of Deed Notice (required for on-site closure) Plot Plan (for on-site closures and temporary pits) Confirmation Sampling Analytical Results (if applicable) 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 Longitude 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): Title:		
Signature: Date:		
e-mail address: Telephone:		

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