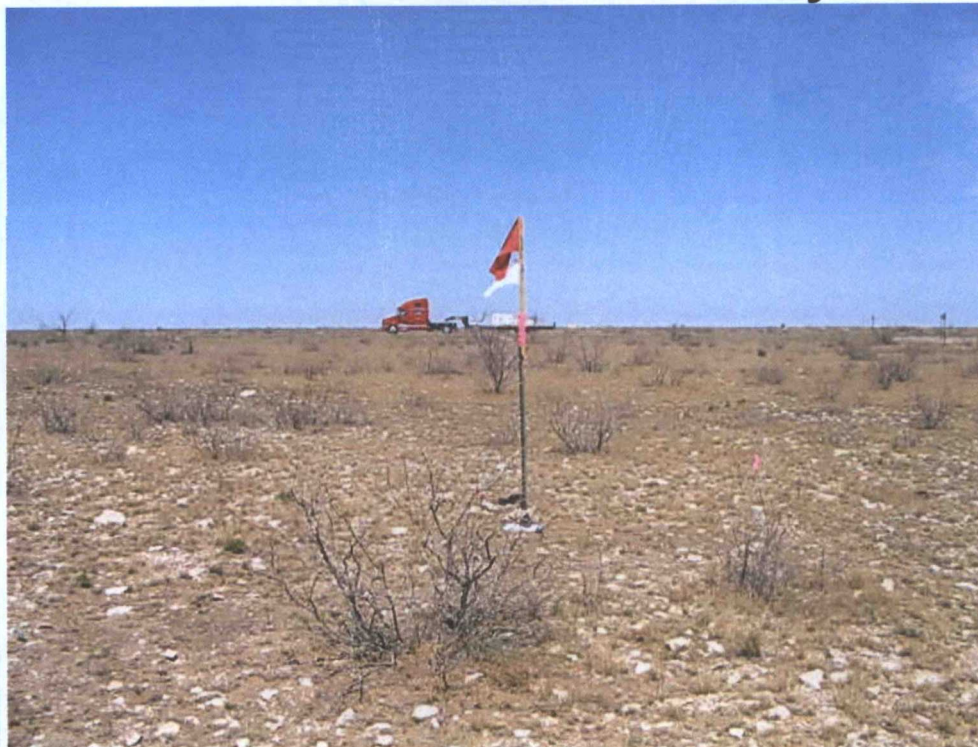


July 2013

**C-144 Permit Package for
Gateway "2" State No. 1
Temporary Pit**

30-025-41095

Section 2 T19S R35E Lea County NM



**Prepared for
Caza Operating, LLC
Midland, Texas**

**Prepared by
R.T. Hicks Consultants, Ltd.
Albuquerque, New Mexico**

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R. T. HICKS CONSULTANTS, LTD.

901 Rio Grande Blvd NW ▲ Suite F-142 ▲ Albuquerque, NM 87104 ▲ 505.266.5004 ▲ Fax: 505.266-0745

July 17, 2013

Mr. Geoffrey Leking
NMOCD District
1625 French Drive
Hobbs, NM 88240
Via E-Mail and US Mail

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RE: Caza Operating, LLC – Gateway 2 State #1
C-144 Minor Modification

Dear Geoff:

On behalf of Caza Operating LLC, R.T. Hicks Consultants submits the minor modification for the above-referenced well. This modification consists of

1. A new C-144 that is consistent with the new Pit Rule
2. A new set of generic plans that conform to the new Rule

We elected to submit a complete permit package, but please understand that the siting criteria demonstration, maps and pit design are the same as the submission of April 26.

While not shown on the maps in this new package, we collected a depth to groundwater measurement at the Gateway 2 State #2 location: 48.35 feet below ground level. This location is about 1300 feet west of the Gateway 2 State #1 and lies 21 feet lower ($3870-3849=21$). We collected the measurement under these conditions:

- an uncased open hole that was bailed out before Saturday noon (6/9/13)
- the measurement occurred on Tuesday afternoon (6/11/13)
- Kristin Pope, our project geologist, obtained the measurement using an electric probe
- After the water level measurement, we examined a bailer of fluid obtained from the hole and verified that the fluid was clear water and not mud (which could provide a false reading)

This measurement verifies our conclusion stated in our April submission that the depth to groundwater at the Gateway 2 State #1 location is 72 feet.

Please contact me or Dale if you have any questions concerning this new submission.

Sincerely,
R.T. Hicks Consultants



Randall Hicks
Principal

Copy: Murchison Oil and Gas
NM State Land Office, Terry Warnell

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 S. First St., 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
Revised June 6, 2013

For temporary pits, below-grade tanks, and multi-well fluid management pits, submit to the appropriate NMOCD District Office.
For permanent pits submit to the Santa Fe Environmental Bureau office and provide a copy to the appropriate NMOCD District Office.

**Pit, Below-Grade Tank, or
Proposed Alternative Method Permit or Closure Plan Application**

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

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Instructions: Please submit one application (Form C-144) per individual pit, 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: Caza Operating LLC OGRID #: 249099
Address: 200 North Loraine, Suite 1550, Midland, Texas 79701
Facility or well name: Gateway "2" State No. 1
API Number: 30-025-41095 OCD Permit Number: P1-06008
U/L or Qtr/Qtr C Section 2 Township 19S Range 35E County: Lea
Center of Proposed Design: Latitude 32° 41' 44.23" N Longitude -103° 25' 48.49" W NAD: ☐ 1927 ☒ 1983
Surface Owner: ☐ Federal ☒ State ☐ Private ☐ Tribal Trust or Indian Allotment

2.
☒ **Pit:** Subsection F, G or J of 19.15.17.11 NMAC
Temporary: ☒ Drilling ☐ Workover
☐ Permanent ☐ Emergency ☐ Cavitation ☐ P&A ☐ Multi-Well Fluid Management Low Chloride Drilling Fluid ☐ yes ☒ no
☒ Lined ☐ Unlined Liner type: Thickness 20 mil ☒ LLDPE ☐ HDPE ☐ PVC ☐ Other _____
☒ String-Reinforced
Liner Seams: ☒ Welded ☐ Factory ☐ Other _____ Volume: 24,909 bbl Dimensions: L 150 x W 175 x D 6.5-9.0 ft

3.
☐ **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 _____

4.
☐ **Alternative Method:**
Submittal of an exception request is required. Exceptions must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.

5.
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 _____

6.

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)

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7.

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 19.15.16.8 NMAC

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8.

Variances 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:

☒ Variance(s): Requests must be submitted to the appropriate division district for consideration of approval.

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

9.

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. Siting criteria does not apply to drying pads or above-grade tanks.

General siting

Ground water is less than 25 feet below the bottom of a low chloride temporary pit or below-grade tank.

- ☐ NM Office of the State Engineer - iWATERS database search; ☐ USGS; ☐ Data obtained from nearby wells

☐ Yes ☐ No

☒ NA

Ground water is less than 50 feet below the bottom of a Temporary pit, permanent pit, or Multi-Well Fluid Management pit.

NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells **See Figures 1 & 2**

☐ Yes ☒ No

☐ NA

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. **(Does not apply to below grade tanks) See Figure 5**

- Written confirmation or verification from the municipality; Written approval obtained from the municipality

☐ Yes ☒ No

Within the area overlying a subsurface mine. **(Does not apply to below grade tanks) See Figure 7**

- Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division

☐ Yes ☒ No

Within an unstable area. **(Does not apply to below grade tanks) See Figure 8**

- 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. **(Does not apply to below grade tanks) See Figure 9**

- FEMA map

☐ Yes ☒ No

Below Grade Tanks

Within 100 feet of a continuously flowing watercourse, significant watercourse, lake bed, sinkhole, wetland or playa lake (measured from the ordinary high-water mark).

- Topographic map; Visual inspection (certification) of the proposed site

☐ Yes ☐ No

Within 200 horizontal feet of a spring or a fresh water well used for public or livestock consumption;

- NM Office of the State Engineer - iWATERS database search; Visual inspection (certification) of the proposed site

☐ Yes ☐ No

Temporary Pit using Low Chloride Drilling Fluid (maximum chloride content 15,000 mg/liter)

Within 100 feet of a continuously flowing watercourse, or any other significant watercourse or within 200 feet of any lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). (Applies to low chloride temporary pits.)

- Topographic map; Visual inspection (certification) of the proposed site

☐ Yes ☐ No

Within 300 feet from a occupied 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 200 horizontal feet of a spring or a private, domestic fresh water well used by less than five households for domestic or stock watering purposes, or 300feet of any other fresh water well or spring, in existence at the time of the initial application.

NM Office of the State Engineer - iWATERS database search; Visual inspection (certification) of the proposed site

☐ Yes ☐ No

Within 100 feet of a wetland.

- US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site

☐ Yes ☐ No

Temporary Pit Non-low chloride drilling fluid

Within 300 feet of a continuously flowing watercourse, or any other significant watercourse, or within 200 feet of any lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). **See Figure 3**

- 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. **See Figure 4**

☐ Yes ☒ No

Within 500 horizontal feet of a spring or a private, domestic fresh water well used by less than five households for domestic or stock watering purposes, or 1000 feet of any other fresh water well or spring, in the existence at the time of the initial application;

- NM Office of the State Engineer - iWATERS database search; Visual inspection (certification) of the proposed site

See Figures 1 & 2

☐ Yes ☒ No

Within 300 feet of a wetland. **See Figure 6**

- US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site

☐ Yes ☒ No

Permanent Pit or Multi-Well Fluid Management Pit

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 1000 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 spring or a fresh water well used for domestic or stock watering purposes, 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 500 feet of a wetland.

- US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site

☐ Yes ☐ No

10.

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 19.15.17.11 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: _____

11.

Multi-Well Fluid Management Pit 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
- ☐ A List of wells with approved application for permit to drill associated with the pit.
- ☐ 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
- ☐ Hydrogeologic Data - based upon the requirements of Paragraph (4) of Subsection B of 19.15.17.9 NMAC
- ☐ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC

☐ Previously Approved Design (attach copy of design) API Number: _____ or Permit Number: _____

12. **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
- ☐ 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

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13. **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 ☐ Multi-well Fluid Management Pit
☐ 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

14. **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 C 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 H of 19.15.17.13 NMAC
- ☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC

15. **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 require justifications and/or demonstrations of equivalency. Please refer to 19.15.17.10 NMAC for guidance.

- | | |
|---|--|
| Ground water is less than 25 feet below the bottom of the buried waste. - NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA |
| Ground water is between 25-50 feet below the bottom of the buried waste - NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> 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 | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No <input type="checkbox"/> NA |
| Within 100 feet of a continuously flowing watercourse, or 200 feet of any other significant watercourse, lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). - Topographic map; Visual inspection (certification) of the proposed site | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> 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 | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Within 300 horizontal feet of a private, domestic fresh water well or spring used for domestic or stock watering purposes, in existence at the time of initial application. - NM Office of the State Engineer - iWATERS database; Visual inspection (certification) of the proposed site | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Written confirmation or verification from the municipality; Written approval obtained from the municipality | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No |
| Within 300 feet of a wetland. US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site | <input type="checkbox"/> Yes <input checked="" type="checkbox"/> 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 the area overlying a subsurface mine.

- Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division

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☐ Yes ☒ No

Within an unstable area.

- Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources; USGS; NM Geological Society; Topographic map

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☐ Yes ☒ No

Within a 100-year floodplain.

- FEMA map

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☐ Yes ☒ No

16.

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 E of 19.15.17.13 NMAC
☐ Construction/Design Plan of Burial Trench (if applicable) based upon the appropriate requirements of Subsection K 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 19.15.17.13 NMAC
☒ Waste Material Sampling Plan - based upon the appropriate requirements 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 H of 19.15.17.13 NMAC
☒ Site Reclamation Plan - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC

17.

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): Richard Wright Title: Operations Manager

Signature: Richard L. Wright Date: July 17, 2013

e-mail address: rwright@cazapetro.com Telephone: (432) 682-7424 x-1006

18.

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

OCD Representative Signature: _____ **Approval Date:** _____

Title: _____ **OCD Permit Number:** _____

19.

Closure Report (required within 60 days of closure completion): 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: _____

20.

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.

21.

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 for private land only)
☐ 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

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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Siting Criteria (19.15.17.10 NMAC)
Caza Operating: Gateway "2" State Well No. 1

Distance to Groundwater

Figure 1, Figure 2, and the discussion presented below demonstrates that groundwater (fresh water as defined by NMOCD Rules) at the location is greater than 50 feet beneath the temporary pit.

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Figure 1 is an area geologic and topographic map that shows:

1. The location of the temporary pit as an orange square.
2. Water wells from the OSE database as a blue triangle inside colored circles that indicate well depth. Please note, OSE wells are often miss-located in the WATERS database as older wells are plotted in the center of the quarter, quarter, quarter, of the Section Township and Range.
3. Water wells from the USGS database as large red triangles.
4. Water wells, which are not documented in the public databases but were identified by field inspection or other published reports as light blue squares.
5. The depth-to-water from the most recent available measurement for each well is provided adjacent to the well symbol.

Figure 2 is an area topographic map shows:

1. The location of the temporary pit as an orange square.
2. Only wells with actual depth to water measurements (same symbols as those shown in Figure 1) excluding wells where the depth to water has been clearly estimated (rounded off) by the driller on the day of completion.
3. The groundwater elevation calculated for each well using the most recent and reliable data (published or measured) available to date.

Geology

The proposed temporary pit is located on an outcrop of Tertiary Ogallala Formation (To on Figures 1 and 2). It consists primarily of sand with some clay, silt and gravel, generally capped by caliche. Based on information from Ground-Water Report 6 (GWR-6) *Geology and Ground-Water Conditions in Southern Lea County, New Mexico* by Alexander Nicholson and Alfred Clebsch (1961), the Ogallala Formation is approximately 150 to 170 feet thick and overlies a hard red-bed layer of the upper Triassic. Quaternary Age and piedmont deposits (Qp on Figures 1 and 2) are present as a thin covering of the underlying Ogallala Formation.

Topographically, the site is located on the extreme southern edge of the High Plains just above a remnant of the Mescalero Ridge. Flat topography and playa lakes characterize this area. The nearest playa lake is located approximately 0.3 miles to the northwest of the site. Immediately to the south, the surface elevation decreases at an average slope of 500 feet per half-mile into the Laguna Valley. Surface drainage for the site is provided by Ironhouse Draw, located approximately 0.5 miles to the southwest.

Water Table Elevation

Eleven water wells were identified in the area surrounding the Gateway "2" State No. 1 site to determine the water table elevation below the temporary pit. They include eight wells from the

Siting Criteria (19.15.17.10 NMAC) Caza Operating: Gateway "2" State Well No. 1

New Mexico Office of the State Engineer (OSE) database and one well from the USGS database. Three of the OSE wells are also described in Open File Report No. 95 (OFR-95). Water well Misc-60 and Misc-62 are the western most monitoring wells (MW-3 and MW-1 respectively) associated with NMOCD Case No. 1R-277. A summary of the available water well data, with respect to groundwater elevation, is provided on the table below.

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Summary of Groundwater Data

| Well Numbers (see Map) | Well Location | | | | | | Well Source Information | | | | | | Groundwater Elevation Data | | | | | | Gauging Date |
|---------------------------|------------------|--------------|---------|--|---|---|-------------------------|---------------|-------------------|-----------------|-------------------|--------------------|----------------------------------|-----------------------------------|---------------------------------|-------------------------------|----------------------------------|---|-----------------|
| | Township (south) | Range (east) | Section | Quarter Section OSE protocol (64, 16, 4) | | | NM-OSE Database | USGS Database | Open File Rpt. 95 | USGS Topo Sheet | Aerial Photograph | Field Verification | Surface Elevation (published) | Surface Elevation (Topo Sheet) | Well Total Depth (published) | Depth to Water (published) | Groundwater Elev. (published) | Groundwater Elev. (using topo elev.) | |
| USGS-924 | 18 | 35 | 26 | 3 | 1 | 1 | ✓ | ✓ | -- | -- | -- | -- | 3,880 | 3,880 | 120 | 55.4 | 3,825 | 3,825 | 10/4/91 |
| L 06868 (Misc-63) | 18 | 35 | 26 | 1 | 4 | 3 | ✓ | | | Plugged in 72 | | | | 3,875 | 110 | 57 | | 3,818 | 11/1/71 |
| L 06869 (Misc-64) | 18 | 35 | 26 | | 1 | 3 | ✓ | | | Plugged in 72 | | | 3,884 | 3,880 | 125 | 60 | 3,824 | 3,820 | 11/11/71 |
| L 03783 | 18 | 35 | 27 | 1 | 1 | 3 | ✓ | | | Plugged in 58 | | | 3,880 | | 115 | 65 | | 3,815 | 2/11/58 |
| L 07129 (Misc-65) | 18 | 35 | 34 | 3 | 3 | 4 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 3,846 | 3,846 | 51.2 | 24.5 | 3,822 | 3,822 | 11/15/77 |
| L 03678 (Misc-66) | 18 | 35 | 35 | 1 | 1 | 4 | ✓ | | | Plugged in 62 | | | | 3,865 | 115 | 60.0 | | 3,805 | 1/20/71 |
| L 09958 | 18 | 35 | 35 | 2 | 2 | 2 | ✓ | ✓ | | -- | | | 3,863 | 3,866 | 150 | 55 | 3,808 | 3,811 | 10/12/87 |
| Misc-60 (MW-3) | 18 | 35 | 36 | 3 | 1 | 3 | | | | Monitor Well | | | 3,865 | 3,862 | 75 | 69.6 | 3,795 | 3,792 | 8/2/12 |
| Misc-62 (MW-1) | 18 | 35 | 36 | 3 | 3 | 3 | | | | Monitor Well | | | 3,858 | 3,855 | 75 | 65.2 | 3,793 | 3,790 | 8/2/12 |
| L 05339 | 19 | 35 | 1 | 1 | 1 | 4 | ✓ | | | -- | | | | 3,835 | 128 | 83 | | 3,752 | 2/1/64 |
| L 02359 (Misc-67) | 19 | 35 | 1 | 3 | 3 | 1 | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | 3,806 | 3,808 | 60 | 24.3 | 3,782 | 3,784 | 1/27/71 |

✓ Indicates well was verified, (blank) indicates well not verified, and -- indicates no attempt to verify

Visual inspections of critical wells were performed to verify the information provided by the public records and published reports. Initially, an attempt was made to identify each well using USGS topographic maps. The surface elevations of wells identified on the maps were compared to the published surface elevation, if available. Wells that could not be verified using maps were searched for using current and historic satellite photographs in an effort to identify windmills, tanks, or roads associated with the well. Locations that could not be verified by maps or photographs were verified in the field. Attempts were also made to gauge wells during the field investigation when access was permitted. The results of the field inspections are summarized as follows:



- The two nearest active water wells (L 07129 and L 02359) were visited in an attempt to measure the depth to water, but the tubing-casing annulus could not be accessed at either well (see photo of L 02359 well head).
- Only three other wells in the area could be verified by USGS map or visual inspection (USGS-924, Misc-60, Misc-62).
- Of the six remaining wells, four (L 06868, L 06869, L 03783, and L 03678) were identified in the OSE database as having been plugged prior to 1973 and therefore no visible evidence of their existence is likely present and two (L 09958 and L 05339) were identified as non-

Siting Criteria (19.15.17.10 NMAC)
Caza Operating: Gateway "2" State Well No. 1

critical to the project, relative to wells located closer to the site; therefore no field inspection was attempted.

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Hydrogeology

The published data clearly indicates that Ogallala groundwater is present as a regional aquifer below the Caza Gateway "2" State #1 site. Publications that include a potentiometric map of the project area are not consistent with respect to the expected groundwater elevation at the site, as shown below:

| Groundwater Publication (date) | Groundwater Elevation at the Caza Gateway "2" State #1 Site | Remarks: |
|--------------------------------|---|-----------------------|
| Nicholson & Clebsch (1961) | 3,805 feet | Edge of mapped area |
| Open File Report 95 (1978) | 3,795 feet | Center of mapped area |
| Musharrafieh & Chudnott (1999) | 3,770 feet | Center of mapped area |
| Tillery (2008) | 3,770 feet | Edge of mapped area |

Using the information obtained from these publications the groundwater elevation at the Caza Gateway "2" State #1 site (surface elevation 3,870 feet) should be from 65 to 100 feet below the surface.

The most recent and reliable depth to water measurements were made at the location of Case No. 1R-277, which is an Ogallala groundwater monitoring project. MW-1 (Misc-62) of that project is the nearest monitoring well to the Caza Gateway "2" State #1 site at approximately 3,700 feet. In August of 2012 the project groundwater gradient was determined to be S 33° E at 0.004 feet/foot and the groundwater elevation at MW-1 was 3,793.22 feet. If the groundwater gradient is assumed to be consistent across the area, then a line drawn perpendicular to the gradient direction from MW-1 (3,793-foot contour) would pass to a point 1,140 feet southeast of the Caza site. The groundwater elevation increase from that point can be calculated from the gradient slope and distance from the perpendicular line. Based on this method, the groundwater elevation at the Caza Gateway "2" State #1 site should be 3,798 feet (72 feet below the surface) which is consistent with the published information.

Distance to Surface Water

Figure 3 and the site visit demonstrates that the location is not 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).

- The nearest playa lake is located 0.3 miles to the northwest, but it did not contain surface water on the day of the inspection.
- The nearest significant watercourse is Ironhouse Draw located 0.5 miles to the southwest.

Distance to Permanent Residence or Structures

Figure 4 and the site visit demonstrates that the location is not within 300 feet from a permanent residence, school, hospital, institution, church, or other structure in existence at the time of initial application.

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Distance to Non-Public Water Supply

Figures 1 and Figure 2 demonstrates that the location is not 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.

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- Figure 1 and 2 show the locations of all area water; the nearest active water well is located approximately 4,100 feet to the southeast (L 02359). There are no known domestic water wells located within the mapping area.
- No springs were identified within the mapping area.

Distance to Municipal Boundaries and Fresh Water Fields

Figure 5 demonstrates that the location is not within incorporated municipal boundaries or defined municipal fresh water well fields covered under a municipal ordinance adopted pursuant to NMSA 1978, Section 3-27-3, as amended.

- The closest municipality is Hobbs, NM approximately 14 miles to the east.
- The closest public well field is also located in Hobbs, NM.

Distance to Wetlands

Figure 6 demonstrates the location is not within 500 feet of wetlands.

- The nearest designated wetlands is a "Freshwater Pond" located approximately 0.3 miles to the northwest (playa lake).

Distance to Subsurface Mines

Figure 7 and our general reconnaissance of the area demonstrate that the nearest "subsurface mines" are actually caliche pits.

- The nearest caliche pit is located approximately 0.3 miles to the northwest according to the database, but this pit could not be located by aerial photograph.

Distance to High or Critical Karst Areas

Figure 8 shows the location of the temporary pits with respect BLM Karst areas

- The proposed temporary pit is located within a "low" potential karst area.
- The nearest "high" potential karst area is located approximately 28 miles southwest of the site.

Siting Criteria (19.15.17.10 NMAC)
Caza Operating: Gateway "2" State Well No. 1

- No evidence of unstable ground or solution voids was observed near the site during the field inspection.

Distance to 100-Year Floodplain

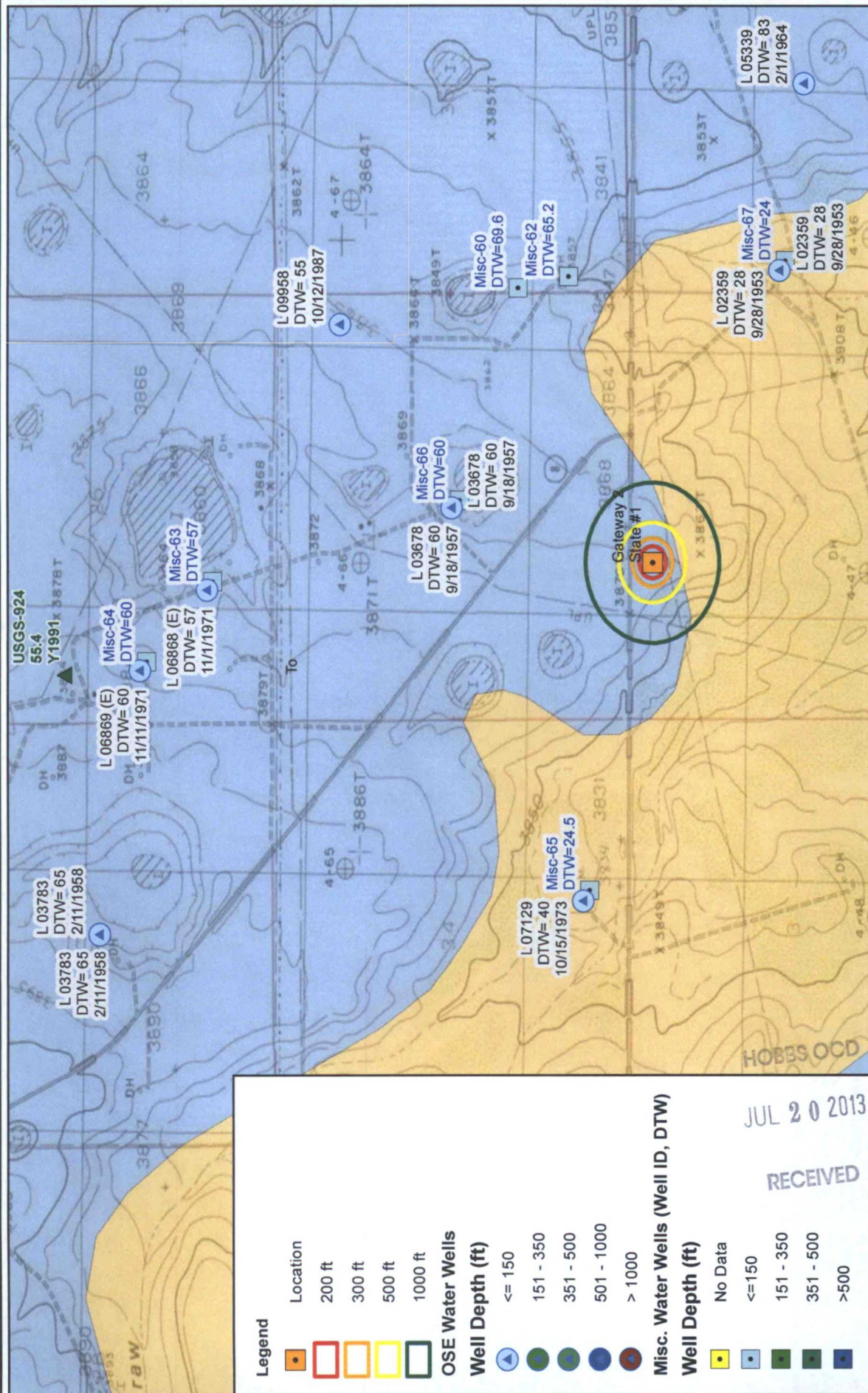
Figure 9 demonstrates that the location is within an area that has not yet been mapped by the Federal Emergency Management Agency with respect to the Flood Insurance Rate 100-Year Floodplain.

- Areas that are not mapped are generally considered minimal flood risk.
- Our field inspection and examination of the topography permits a conclusion that the location is not within any floodplain.

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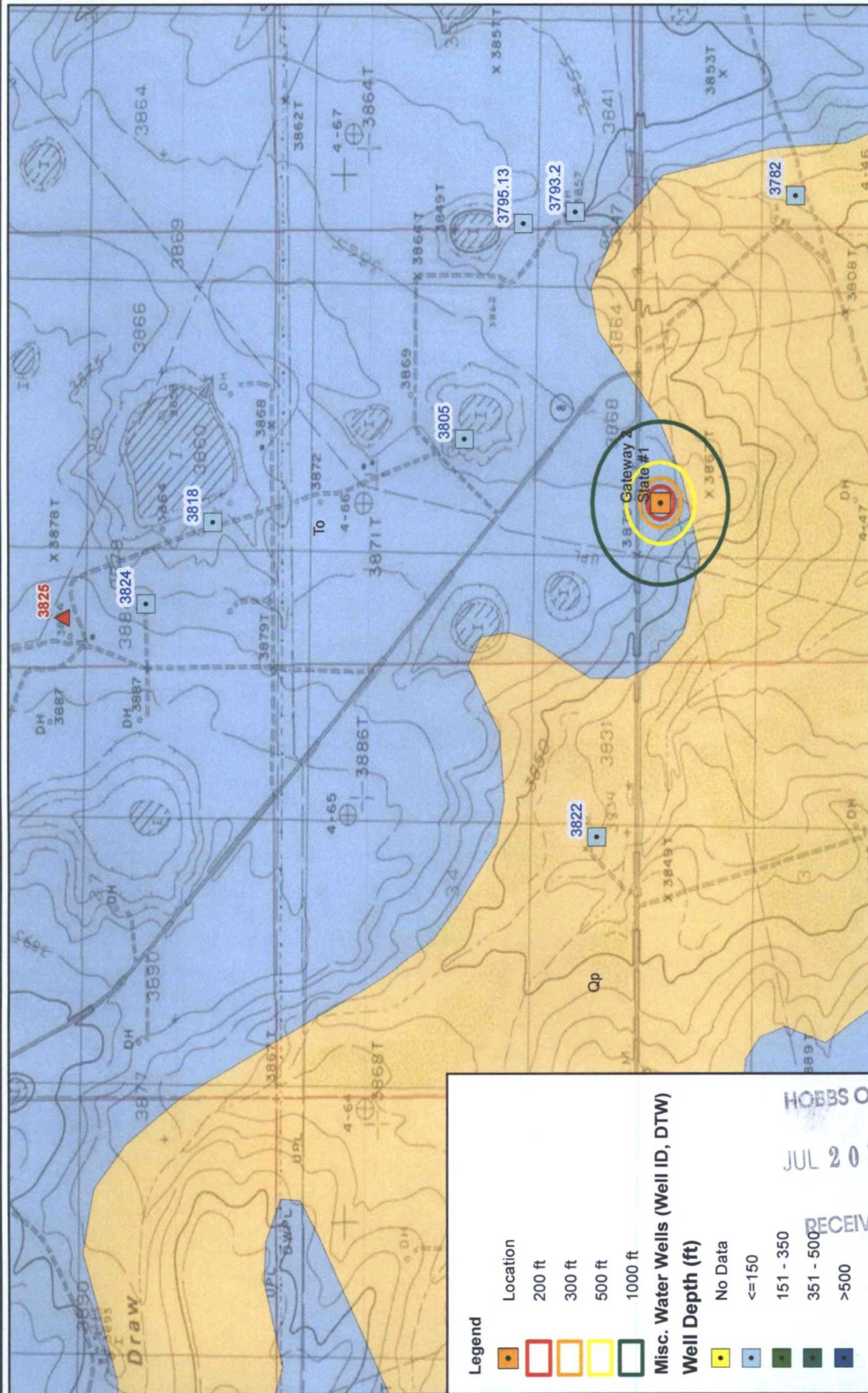
R.T. Hicks Consultants, Ltd
 901 Rio Grande Blvd NW Suite F-142
 Albuquerque, NM 87104
 Ph: 505.266.5004

Geology and Depth to Groundwater

Caza Operating - Gateway 2 State #1

Figure 1

April 2013



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Geology and Groundwater Elevation

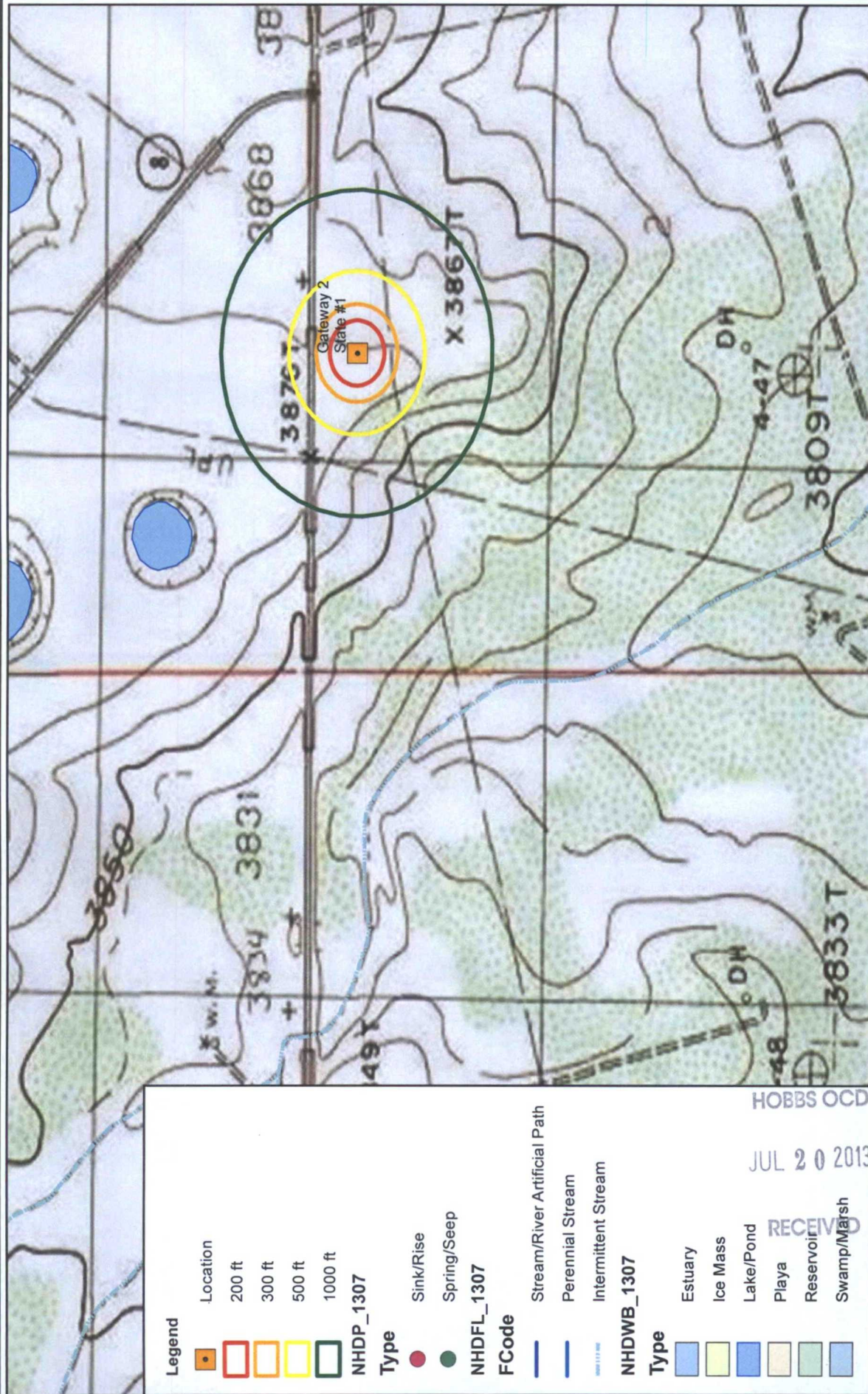
Figure 2

Caza Operating - Gateway 2 State #1

April 2013

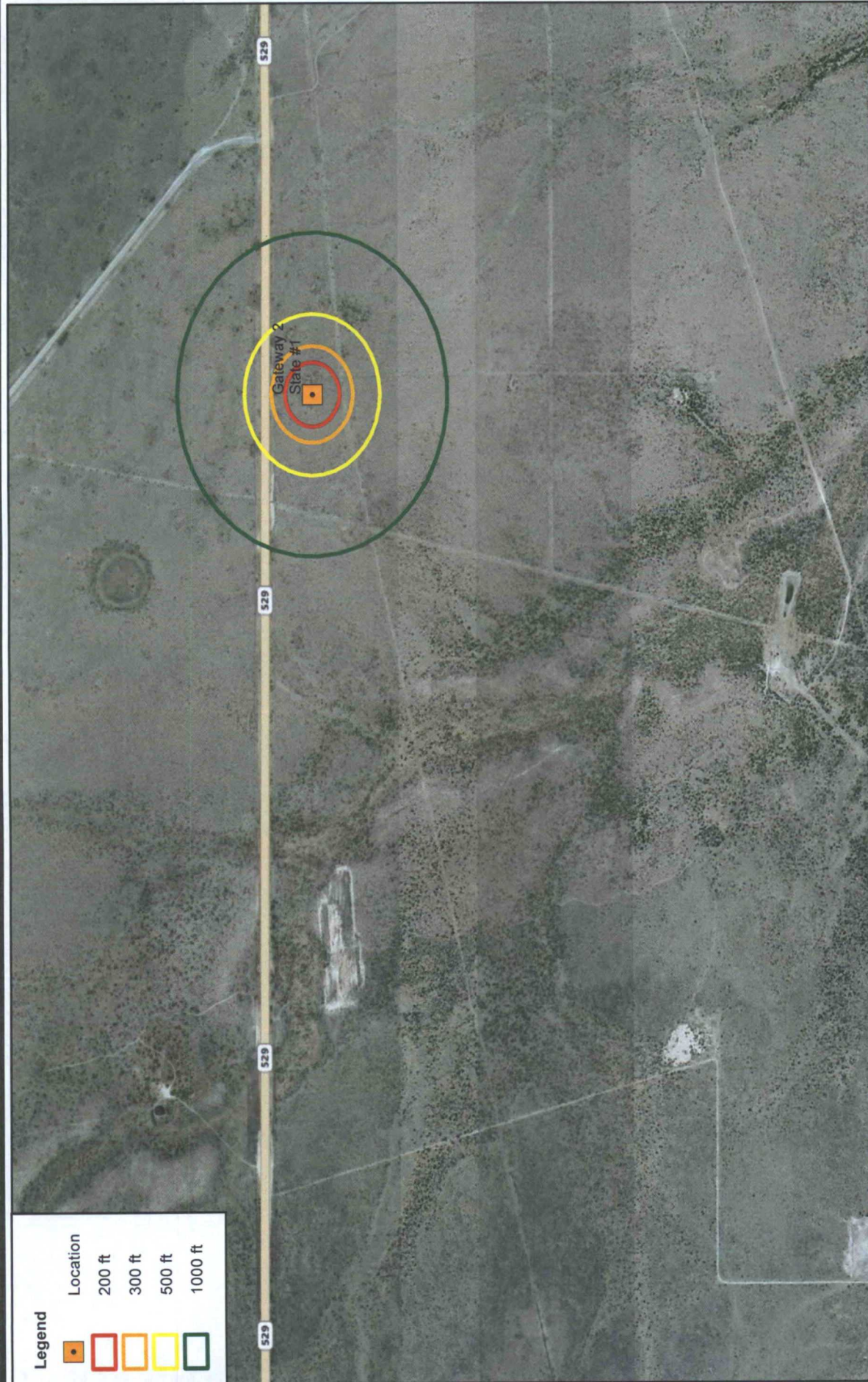


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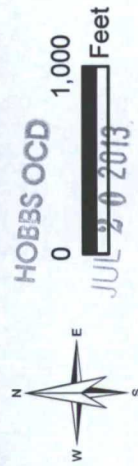
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 Albuquerque, NM 87104
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| | |
|-------------------------------------|------------|
| Nearby Surface Water | Figure 3 |
| Caza Operating - Gateway 2 State #1 | April 2013 |



Legend

-  Location
-  200 ft
-  300 ft
-  500 ft
-  1000 ft



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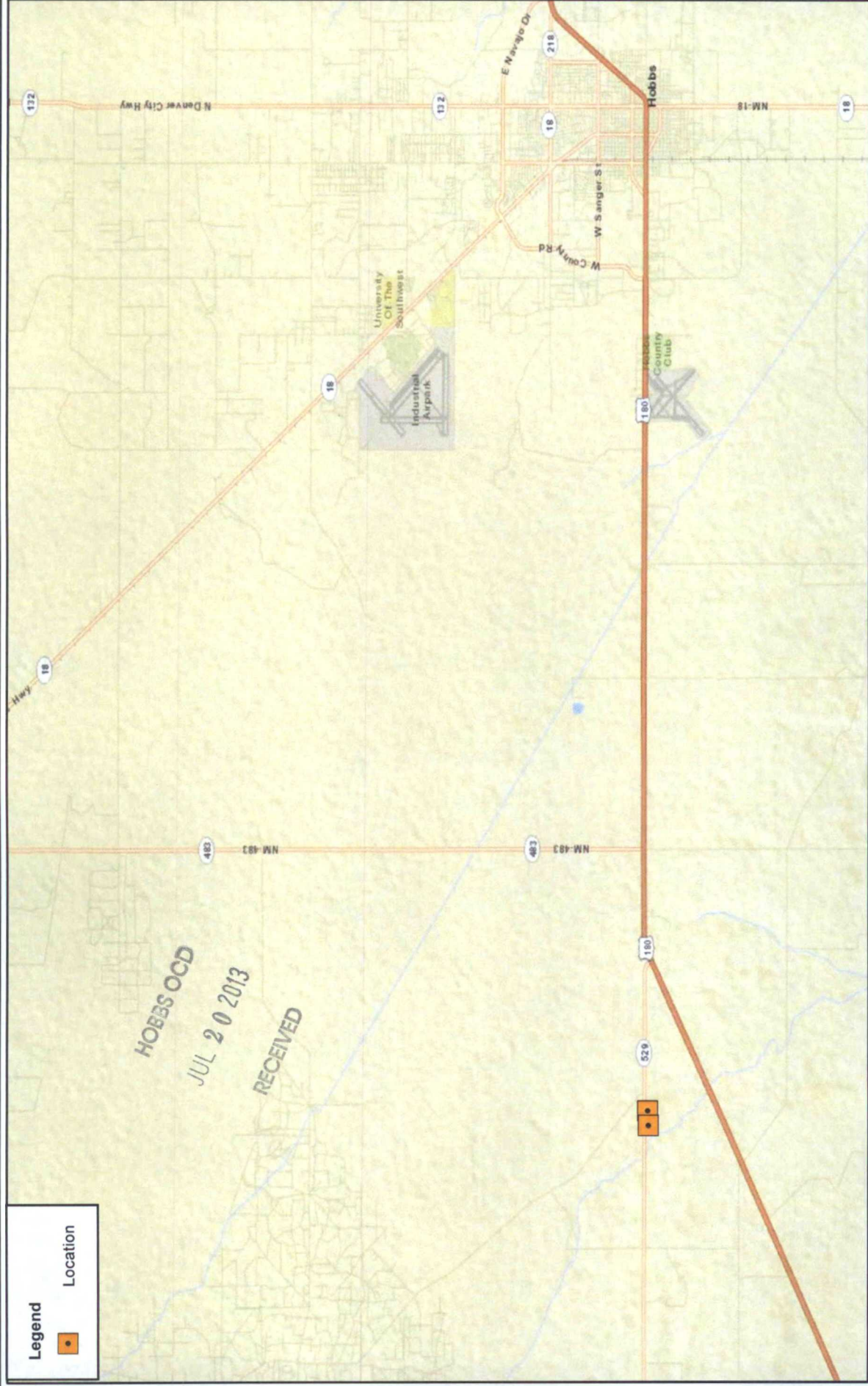
Nearest Structures


Caza Operating - Gateway 2 State #1 and #2

Figure 4

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Legend
 Location



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Nearest Municipalities

Caza Operating - Gateway 2 State #1 and #2

Figure 5

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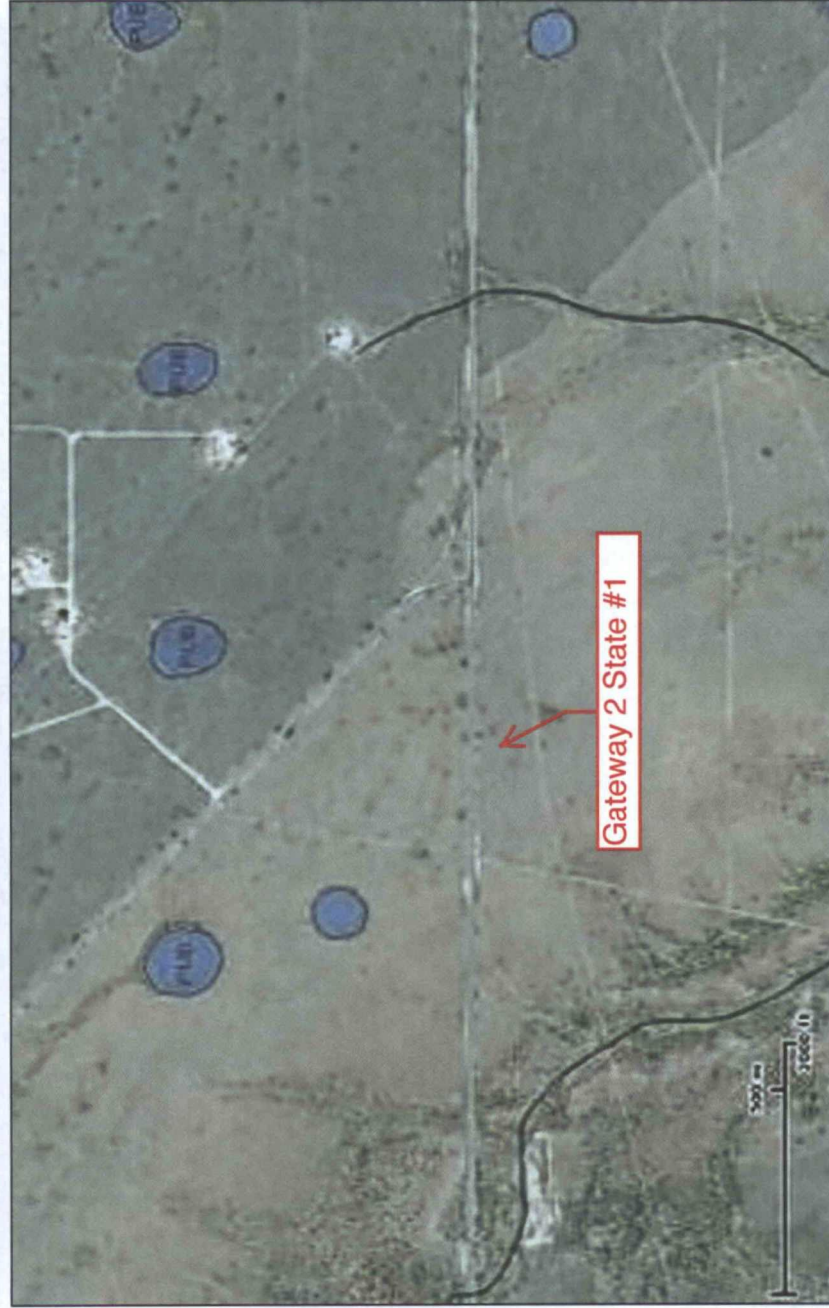


U.S. Fish and Wildlife Service

National Wetlands Inventory

Figure 6

Apr 9, 2013



Wetlands

- Freshwater Emergent
- Freshwater Forested/Shrub
- Estuarine and Marine Deepwater
- Estuarine and Marine
- Freshwater Pond
- Lake
- Riverine
- Other

Riparian

- Herbaceous
- Forested/Shrub

Riparian Status

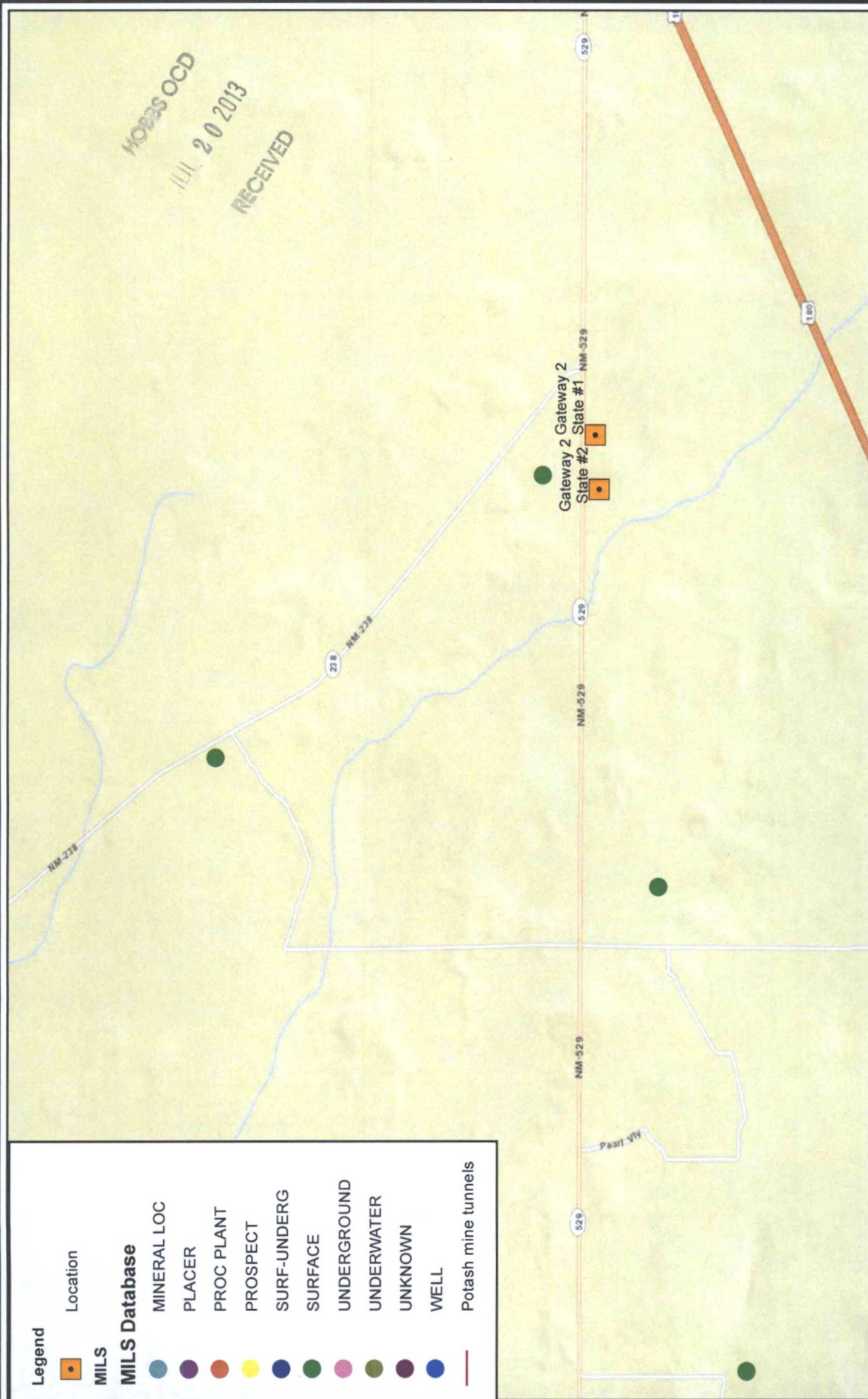
- Digital Data

User Remarks:
Mapped Wetlands

This map is for general reference only. The US Fish and Wildlife Service is not responsible for the accuracy or currentness of the base data shown on this map. All wetlands related data should be used in accordance with the layer metadata found on the Wetlands Mapper web site.

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Nearest Mines

Caza Operating - Gateway 2 State #1 and #2

Figure 7

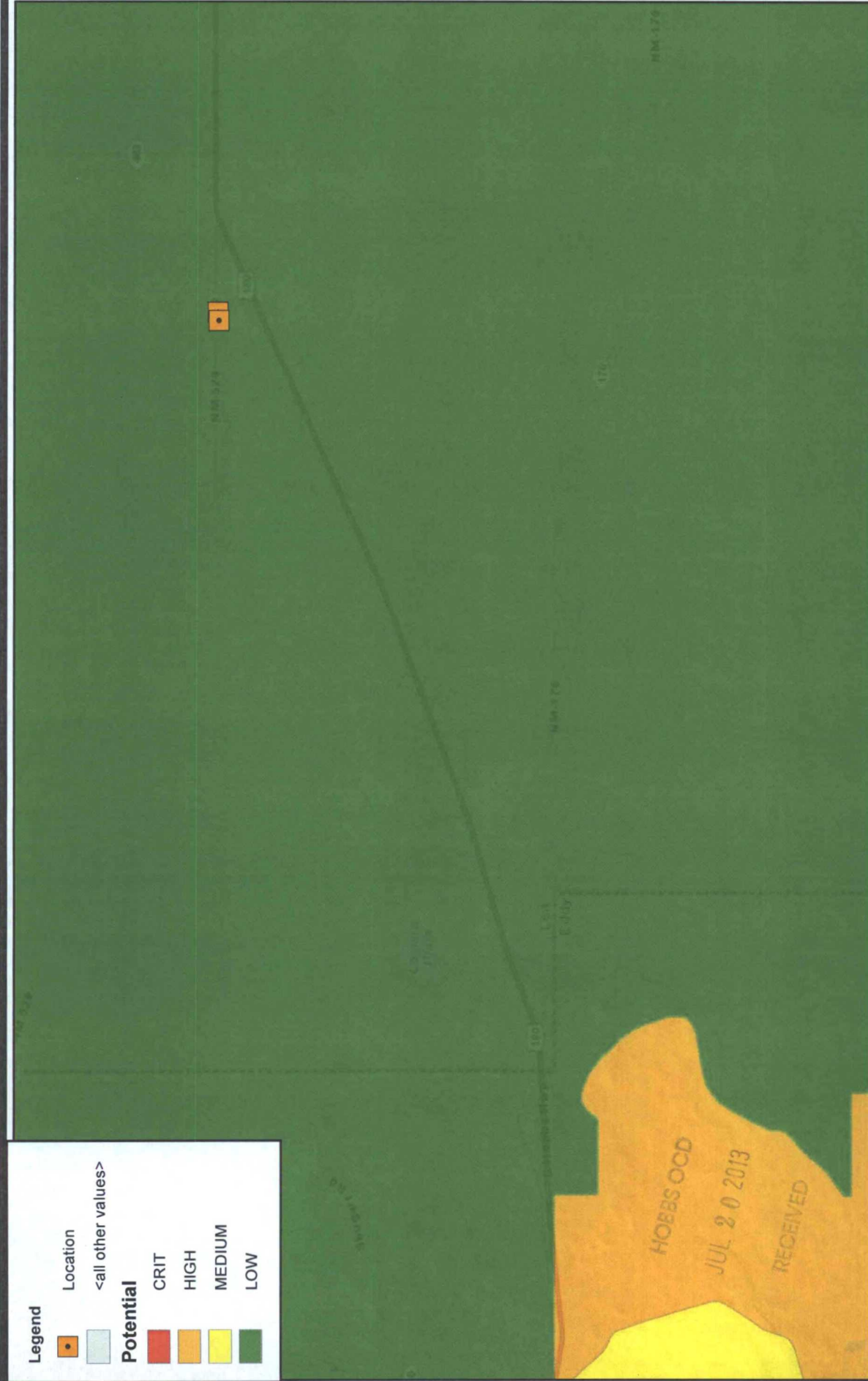
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Legend

 Location
 <all other values>

Potential

 CRIT
 HIGH
 MEDIUM
 LOW



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BLM Cave/Karst Potential

Figure 8

Caza Operating - Gateway 2 State #1 and #2

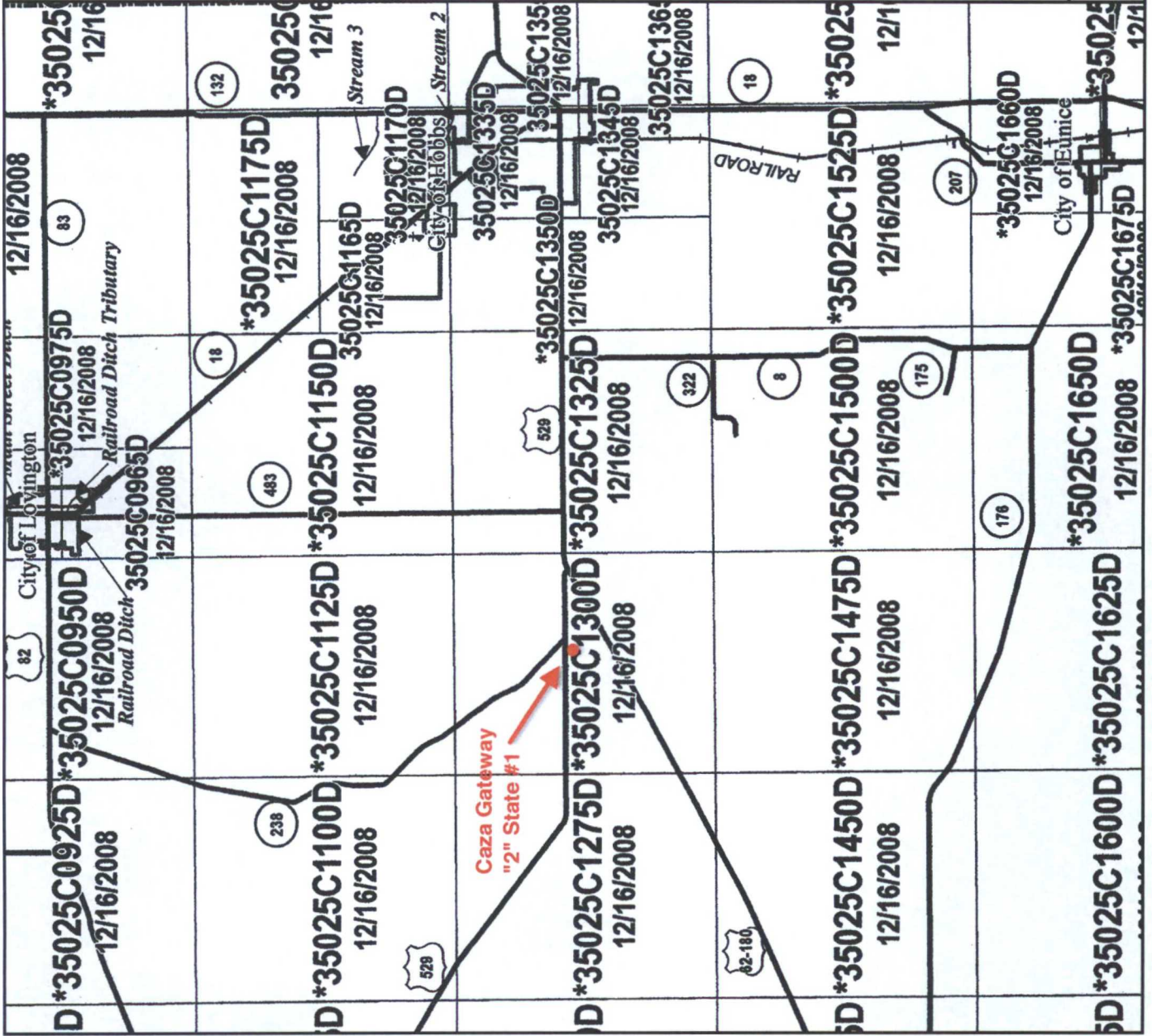
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Figure 9

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FIRM
FLOOD INSURANCE RATE MAP
LEA COUNTY,
NEW MEXICO
AND INCORPORATED AREAS

MAP INDEX
PANELS PRINTED: 440, 445, 955,
965, 1165, 1170, 1200, 1335, 1345, 1355,
1365, 1670, 2102

MAP NUMBER
35025CIND0A
EFFECTIVE DATE
DECEMBER 16, 2008

Federal Emergency Management Agency

This is an official copy of a portion of the above referenced flood map. It was extracted using F-MIT On-Line. This map does not reflect changes or amendments which may have been made subsequent to the date on the title block. For the latest product information about National Flood Insurance Program flood maps check the FEMA Flood Map Store at www.msc.fema.gov

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Site Specific Information Plates

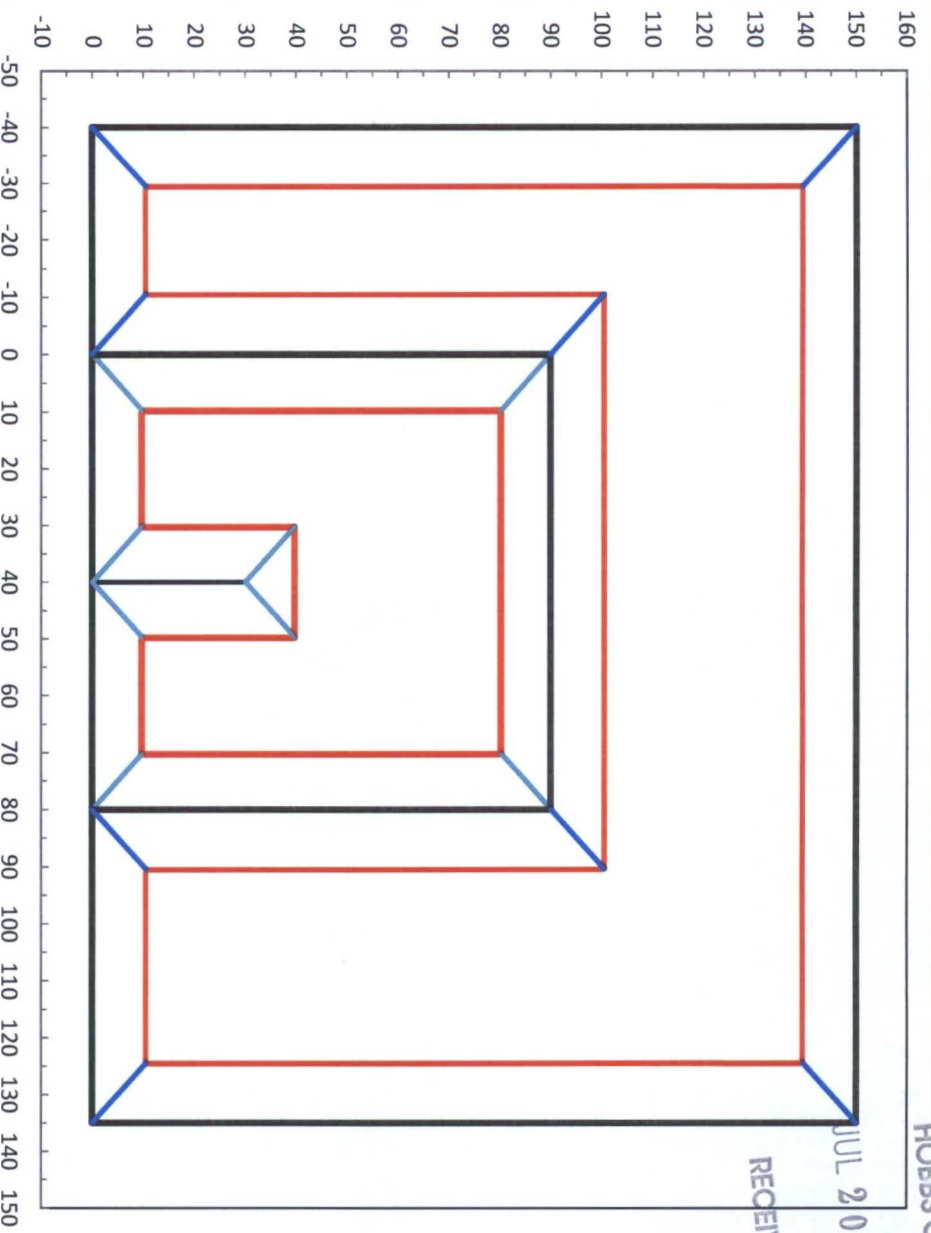
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Drilling Cell total width 175.00
Drilling Cell total length 150.00

Slopes of Pit Horizontal Distance 1.50
Slopes of Pit Vertical Distance 1.00
Horseshoe divider width at surface 0.00

Inner Horseshoe
total width (left right) 80.00
total length (up down) 90.00
depth 6.50
Length of Divider 30.00
Divider Width 0.00
Width of suction floor 20.50
Width of discharge floor 20.50

Outer Horseshoe
width discharge side 55.00
width suction side 40.00
length far side (up down) 60.00
Width of discharge floor 40.00
Width of suction floor 13.00
Width of far side floor (right to left) 129.00
Length of far side floor (Up-down dimension) 39.00
Depth Suction Side 9.00
Depth on Discharge Side 5.00
Average Depth Far Side 7.00

Inner Horseshoe Capacity 6225 bbl
Outer Horseshoe Capacity 18684 bbl

Fluid Cell Capacity 0 bbl
Total Capacity 24909 bbl

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Albuquerque, N. M. 87104

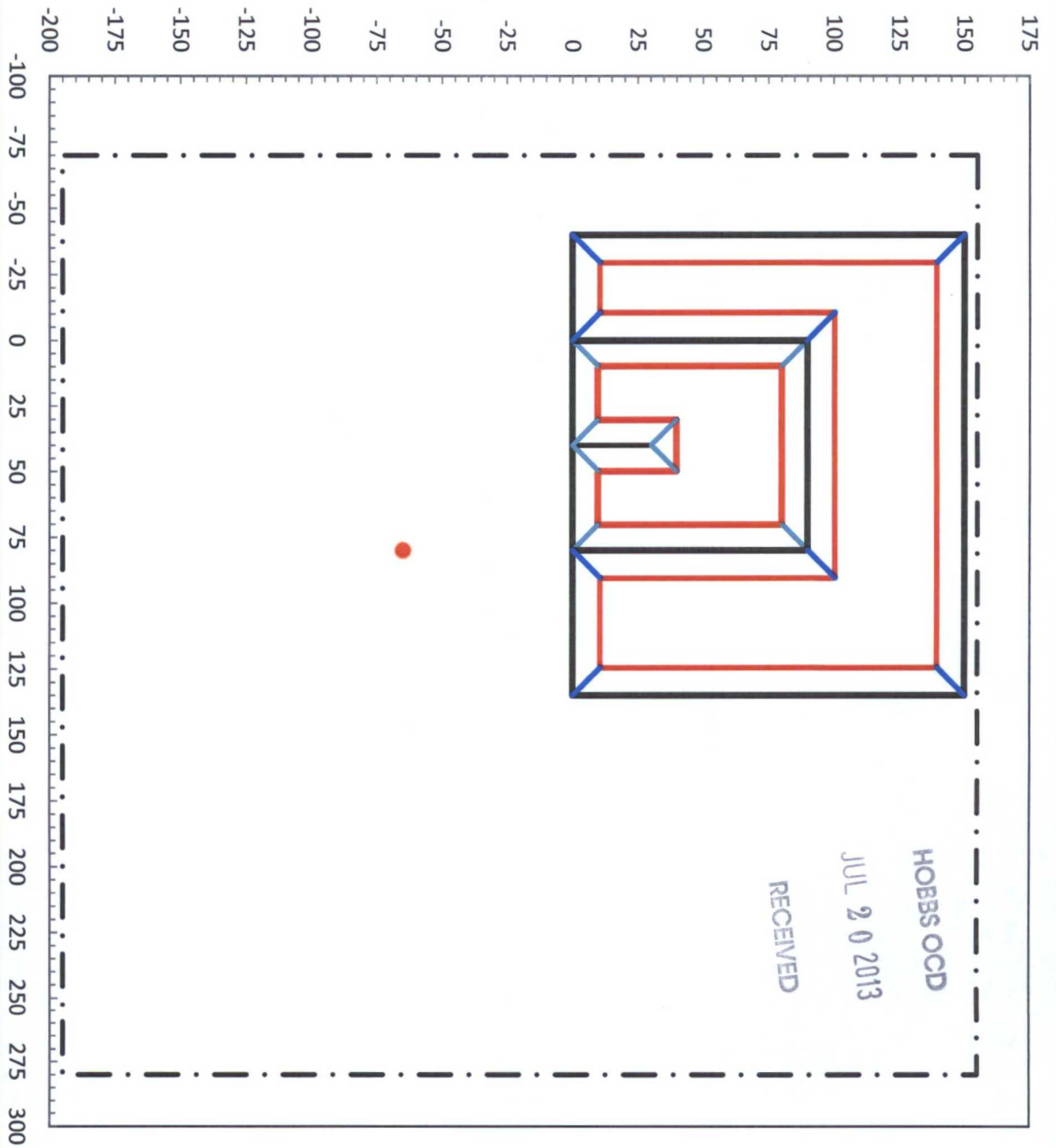
Drawing of Drilling Cell

Caza - Gateway 2 State #1

Plate 1

Apr-13





N

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Albuquerque, N. M. 87104

Drawing of Drilling Pit and Well in Relation to Pad Boundaries

Caza - Gateway 2 State #1

Plate 2

April 2013

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
Phone (575) 393-6161 Fax: (575) 393-0720

DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210
Phone (575) 748-1283 Fax: (575) 748-9720

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410
Phone (505) 334-6176 Fax: (505) 334-6170

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals and Natural Resources Department

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102
Revised August 1, 2011

Submit one copy to appropriate
District Office

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

| | | |
|---------------|---------------------------------------|-------------------|
| API Number | Pool Code | Pool Name |
| Property Code | Property Name GATEWAY 2 STATE | Well Number 1 |
| OGRID No. | Operator Name CAZA OPERATING, LLC. | Elevation 3870 |

Surface Location

| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|---------------|---------|----------|-------|---------|---------------|------------------|---------------|----------------|--------|
| Lot 3 | 2 | 19 S | 35 E | | 375 | NORTH | 1980 | WEST | LEA |

Bottom Hole Location If Different From Surface

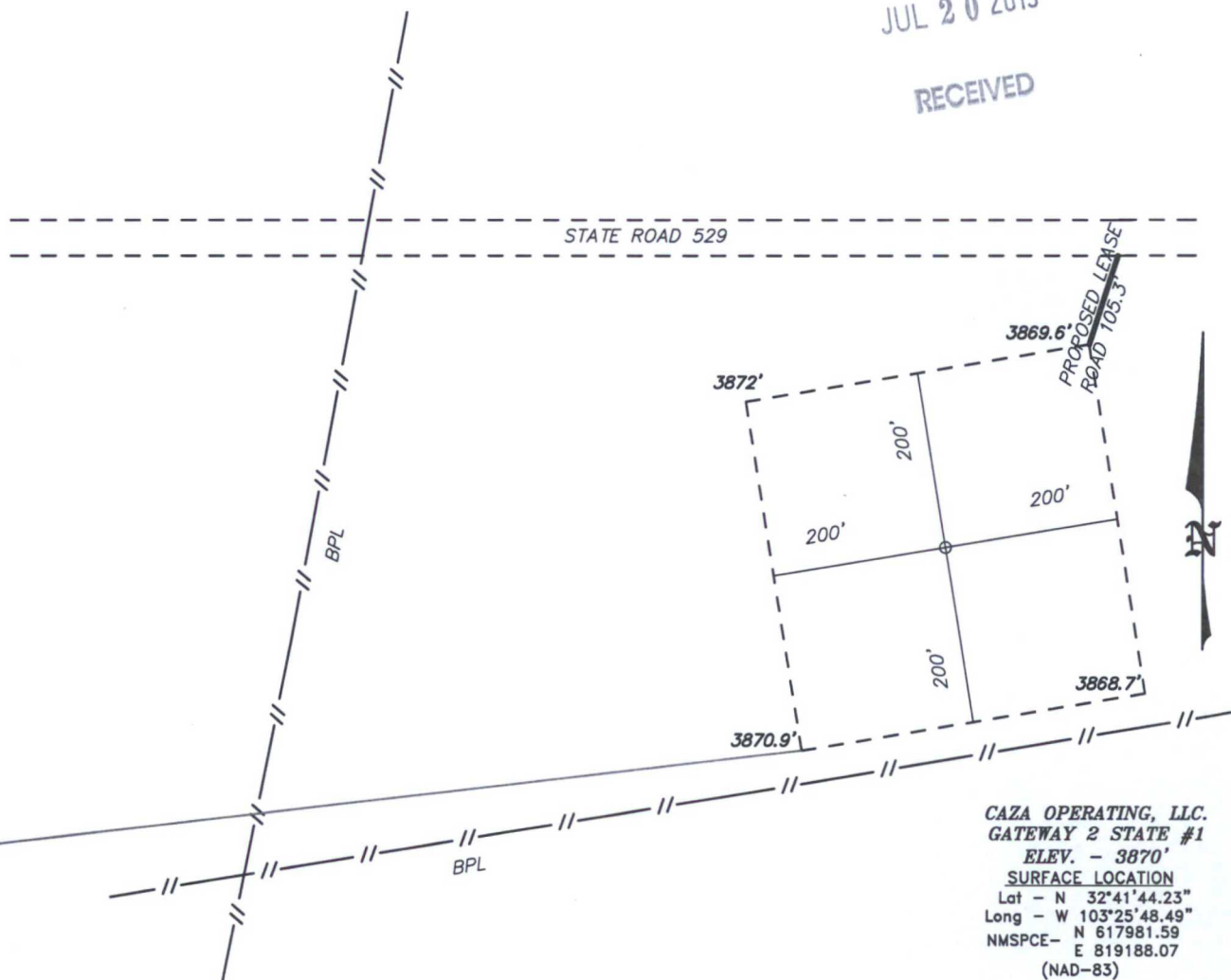
| UL or lot No. | Section | Township | Range | Lot Idn | Feet from the | North/South line | Feet from the | East/West line | County |
|-----------------|-----------------|--------------------|-----------|---------|---------------|------------------|---------------|----------------|--------|
| | | | | | | | | | |
| Dedicated Acres | Joint or Infill | Consolidation Code | Order No. | | | | | | |

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

| | | | | |
|---|--|--|--|--|
| <p>SURFACE LOCATION Lat - N 32°41'44.23" Long - W 103°25'48.49" NMSPCE- N 617981.59 E 819188.07 (NAD-83)</p> | | | | <p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p>Signature _____ Date _____</p> <p>Printed Name _____</p> <p>Email Address _____</p> |
| <p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my belief.</p> <p>Date Surveyed _____</p> <p>Signature & Seal of Professional Surveyor _____</p> <p>W.O. No. 28404</p> <p>Certificate No. Gary L. Jones 7977</p> <p>BASIN SURVEYS 28404</p> | | | | |

SECTION 2, TOWNSHIP 19 SOUTH, RANGE 35 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO.

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FROM THE JUNCTION OF HWY 529 AND HWY 238;
TO WEST 0.3 MILES TO PROPOSED LEASE ROAD.

200 0 200 400 FEET
SCALE: 1" = 200'

CAZA OPERATING, LLC.

REF: GATEWAY 2 STATE #1 / WELL PAD TOPO

THE GATEWAY 2 STATE #1 LOCATED 375 FEET
FROM THE NORTH LINE AND 1980 FEET FROM THE WEST LINE OF
SECTION 2, TOWNSHIP 19 SOUTH, RANGE 35 EAST,
N.M.P.M., LEA COUNTY, NEW MEXICO.

BASIN SURVEYS P.O. BOX 1786-HOBBS, NEW MEXICO

W.O. Number: 28404 Drawn By: D. JONES

Date: 04-01-2013 Disk: DAJ 28404

Survey Date: 03-25-2013 Sheet 1 of 1 Sheets

Temporary Pit Design/Construction Plan

Plates 1 and 2 show the design of the temporary pit proposed for this project. Field conditions and the drilling rig layout will determine the final configuration of the pit cells, which will consist of the following:

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1. A cell for drilling fluid circulation and cuttings storage consisting of:
 - a. An outer horseshoe for fresh water fluid and cuttings
 - b. An inner horseshoe for brine and cut brine fluid and cuttings
2. A cell for the storage of fresh water (drilling/stimulation) and stimulation flow-back water prior to re-use or disposal (OPTIONAL)

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In addition to the commitments listed below, the operator will install a system that can drain water entrained in the drilling waste of the drilling pit. As described in the closure plan, this system of filtered perforated pipe and drainage mats lie on the bottom of the drilling cell of the pit – the cut brine cell and the outer cell. The system will drain to the lowest corner of each cell, generally near the suction area. The exact location will be determined upon completion of the cells. Standpipes rise from the depression and can house a solar-powered pump. The drainage system for the brine-cut brine cell removes water to an above-ground tank, the fluids cell of the pit, or directly to a truck for re-use or disposal. The drainage system in the brine-cut brine cell may also be used to introduce fresher water below the residual cuttings/mud, causing the introduced fluid to move upwards through the cuttings/mud and enhance the solids rinsing process. Introduced water to the brine-cut brine cell can be removed from the pit for re-use via a vacuum truck or recovered from the drainage system at the bottom.

The temporary storage of fluids, fluid reuse or fluid disposal will be conducted in a manner approved by division rules that prevents the contamination of fresh water and protects public health and the environment. This drainage and rinsing system allows the operator to:

- Recover clear water for possible re-use
- Reduce the concentration of constituents of concern in the drilling waste by removing some water entrained in the drilling waste.

Precipitation and the possible addition of relatively fresh water (see closure plan) will rinse the solid drilling waste, causing additional reduction in the constituents of concern as the water is recovered for re-use or disposal.

For any temporary storage of fluids derived from the drilling pit and placed in an above-ground tank, the following will apply:

1. Construction, operation and maintenance of the temporary storage tank(s) will adhere to all applicable NMOCD Rules including but not limited to:
 - a. Safety stipulations
 - b. Protection from hydrogen sulfide mandates
 - c. Signage and identification requirements

- d. Secondary containment requirements for temporary tanks
- e. Applicable netting requirements
- 2. Any cleaning of the temporary tank(s) will adhere to NMOCD Rules relating to tank cleaning.
- 3. Transportation of water or drilling fluids derived from the drilling pit will adhere to all applicable NMOCD Rules relating to transportation.
- 4. Storage of water or drilling fluids in temporary above-ground tanks will also adhere to all applicable Federal mandates.

During final closure of the pit, the tanks and secondary containment system will be removed from the location and the area beneath the tank inspected for any leakage. If any leakage is suspected, the operator will sample the soil beneath the tanks and report any release pursuant to NMOCD Rules.

Finally, we intend to place any temporary tank used in conjunction with the pit drainage system on a 20-mil liner with a berm around it that would allow any inadvertently released fluids to drain or be pumped back into the pit.

Construction/Design Plan of Temporary Pit

Stockpile Topsoil

Prior to constructing the pit the qualified contractor will strip and stockpile the topsoil for use as the final cover or fill at the time of closure.

Signage

The operator will post an upright sign in a conspicuous place in compliance with 19.15.16.8 NMAC as the pit and the well are operated by the same operator. Section 19.15.16.8 states in part:

19.15.16.8 SIGN ON WELLS:

B. For drilling wells, the operator shall post the sign on the derrick or not more than 20 feet from the well.

C. The sign shall be of durable construction and the lettering shall be legible and large enough to be read under normal conditions at a distance of 50 feet.

F. Each sign shall show the:

- (1) well number;
- (2) property name;
- (3) operator's name;
- (4) location by footage, quarter-quarter section, township and range (or unit letter can be substituted for the quarter-quarter section);
- and
- (5) API number.

The sign will also provide emergency telephone numbers.

Fencing:

During drilling or workover operations, the operator will not fence the edge of the pit adjacent to the drilling or workover rig.

C-144 Supplemental Documentation for Temporary Pit

As the pit is not located within 1000 feet of a permanent residence, school, hospital, institution or church, the operator will fence the pit to exclude livestock with four-wire strands evenly spaced in the interval between one foot and four feet above ground level.

Earthwork

The temporary pit will have a properly constructed foundation and interior slopes consisting of a firm, unyielding base, smooth and free of rocks, debris, sharp edges or irregularities to prevent the liner's rupture or tear.

The slopes of the pit will be no steeper than two horizontal feet to one vertical foot (2H:1V) unless in the transmittal letter the operator requested an alternative to the slope requirement with a demonstration that the pit can be operated in a safe manner to prevent contamination of fresh water and protect public health and the environment.

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A berm or ditch will surround the temporary pit to prevent run-on of surface water.

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If the transmittal letter identifies concerns relating to the presence of karst and associated instability, during construction of the pit the contractor will compact the earth material that forms the foundation for the pit liner. An expected proctor density of greater than 90% will be achieved by

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1. adding water to the earth material as appropriate,
2. compacting the earth by walking a crawler-type tractor down the sides and bottom of the pit
3. repeating this process with a second 6-inch lift of earth material if necessary

Liner Installation

The geomembrane liner will consist of 20-mil string reinforced LLDPE or equivalent liner material identified in the transmittal letter or on Form C-144 (that the appropriate division district office approves through approval of this permit application). The geomembrane liner will be composed of an impervious, synthetic material that is resistant to petroleum hydrocarbons, salts and acidic and alkaline solutions. The liner material will be resistant to ultraviolet light. Liner compatibility will comply with EPA SW-846 method 9090A.

The operator will direct the liner installation contractor to:

1. minimize liner seams and orient them up and down, not across a slope
2. use factory welded seams where possible
3. overlap liners four to six inches and orient seams parallel to the line of maximum slope, i.e., oriented along, not across, the slope, prior to any field seaming
4. minimize the number of welded field seams in corners and irregularly shaped areas
5. utilize only qualified personnel to weld field seams
6. avoid excessive stress-strain on the liner
7. place geotextile under the liner where needed to reduce localized stress-strain or protuberances that may otherwise compromise the liner's integrity
8. anchor the edges of all liners in the bottom of a compacted earth-filled trench that is

C-144 Supplemental Documentation for Temporary Pit

- at least 18 inches deep
9. place additional material (liner, felt, etc.) to ensure that the liner is protected from any fluid force or mechanical damage at any point of discharge into or suction from the lined temporary pit.

A berm or ditch will surround the temporary pit to prevent run-on of surface water. During drilling operations, the operator may elect to remove run-on protection on the pit edge adjacent to the drilling or workover rig provided that the pit is being used to collect liquids escaping from the drilling or workover rig and this additional fluid will not cause a breach of the temporary pit.

The temporary pit will not be used to vent or flare gas and the volume of the temporary drilling pit, including freeboard, will not exceed 10 acre-feet.

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Temporary Pit Operating and Maintenance Plan

The operator will maintain and operate the pit in accordance with the following plan to contain liquids and solids and maintain the integrity of the liner to prevent contamination of fresh water and protect public health and the environment.

If feasible, the operator will recycle, reuse or reclaim all drilling fluids in the temporary pit in a manner approved by division rules that prevents the contamination of fresh water and protects public health and the environment. Re-use of drilling fluids and workover fluids (stimulation flow-back) for drilling and stimulation of subsequent wells is anticipated. If re-use is not possible, fluids will be sent to disposal at a division-approved facility.

The operator will not discharge into or store any hazardous waste in the pit.

If the pit develops a leak or if any penetration of the pit liner occurs above the liquid's surface, then the operator will repair the damage or initiate replacement of the liner within 48 hours of discovery or will seek a variance from the division district office within this time period.

If the pit develops a leak or if any penetration of the pit liner occurs below the liquid's surface, then the operator will remove all liquid above the damage or leak line within 48 hours of discovery. The operator will also notify the district division office (19.15.29 NMAC) within this same 48 hours of the discovery and repair the damage or replace the pit liner.

The operator will ensure that the drilling contractor installs and uses a header, diverter or other hardware that prevents damage to the liner by erosion, fluid jets or impact from installation and removal of hoses or pipes during injection or withdrawal of liquids.

During construction, the operator or qualified contractor will install diversion ditches and berms around the pit as necessary to prevent the collection of surface water run-on. As outlined in the Construction and Design Plan, during drilling operations, the edge of the temporary pit adjacent to the drilling or workover rig may not have run-on protection if the operator is using the temporary pit to collect liquids escaping from the drilling or workover rig and run-on will not result in a breach of the temporary pit.

The operator will maintain on site an oil absorbent boom to contain and remove oil from the pit's surface.

The operator will only discharge fluids or mineral solids (including cement) generated or used during the drilling, completion, or workover processes into the pit.

The operator will maintain the temporary pit free of miscellaneous solid waste or debris. Immediately after cessation of drilling or a workover operation, the operator will remove any visible or measurable layer of oil from the surface of the pit.

C-144 Supplemental Documentation for Temporary Pit

The operator will maintain at least two feet of freeboard for the temporary pit, except under extenuating circumstances, which will be noted on the pit inspection log as described below.

The operator will inspect the temporary pit containing drilling fluids daily while the drilling rig or workover rig is on site. After the rigs have left the site, the operator will inspect the pit weekly as long as liquids are present in the pit. The operator will maintain a log of the inspections. The operator will make the log available to the division district office upon request.

The operator will remove all free drilling fluids from the surface of the temporary pit within 60 days from the date that the last drilling or workover rig associated with the pit permit is released. The operator will note the date of this release upon Form C-105 or C-103 upon well or workover completion. The operator may request an extension up to two months from the division district office as long as this additional time does not exceed the temporary pit life span (Subsection R of 19.15.17.7 NMAC).

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Temporary Pit In-Place Closure Plan

The wastes in the temporary pit are destined for in place burial at the drilling location or, if stated in the permit transmittal letter, a nearby site on the same lease.

The operator will not begin closure operations without approval of the closure plan submitted with the permit application.

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Siting Criteria Compliance Demonstration

Compliance with siting criteria is described in the site-specific information appended to the C-144.

Proof of Surface Owner Notice

The application package was transmitted to the surface landowner and OCD via email.

Construction/Design Plan of Temporary Pit

The design and construction protocols for the temporary pit are provided in the design and construction plan and in Plates 1-2. The drainage system described in the design and construction plan (above) is not shown on the Plates but can be important element of the closure plan.

General Protocols and Procedures

- All free liquids from the pit will be recycled or disposed in a manner consistent with OCD Rules.
- Residual drilling fluids will be removed from the pit within 60 days of release of the drilling rig.
- Water derived from the well stimulation program (flow-back or unused fresh water) that is significantly higher quality than the residual drilling fluids *may* discharge into the pit. The fresher water *may* discharge into the drainage system to flow through the solids or onto the solids in the pit.
- A low-flow pump *may* remove water from the drainage system to a tank or a fluids cell of the temporary pit; thereby further rinsing the residual solids in the pit.
- After 20-60 days, any water in the pit will be removed for re-use or disposal.
- The residual drilling mud and cuttings will be stabilized to a capacity sufficient to support the 4-foot thick soil cover.
- The residual pit solids will not be mixed at a ratio greater than 1 part pit solids to 3 parts dry earth material (e.g. subsoil).
- The pit will not be closed until the stabilized pit contents pass the paint filter liquids test.

Waste Material Sampling Plan

Prior to closure, a five-point (minimum) composite sample of the residual solids in the pit will be tested in a laboratory to demonstrate that the stabilized material will not exceed the contaminant concentrations listed in Table II of 19.15.17.13 NMAC mixed in a ratio of 3:1 with the earth material to be used for mixing and stabilization of the residual cuttings and mud.

In-place burial is the selected on-site disposal alternative.

If a concentration of a contaminant within the material mixed at a ratio not exceeding 3:1 is higher than the concentration given in Table II, closure will proceed in accordance with Subsection C of 19.15.17.13 NMAC.

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Protocols and Procedures for Earthwork

Stabilization of the residual cuttings and mud is accomplished by mixing dry earth material within the temporary pit footprint. After stabilization the operator or qualified contractor will:

1. Place a geomembrane cover over the waste material in a way to prevent infiltration of water and so that infiltrated water does not collect on the geomembrane cover after the upper soil cover has been placed.
2. Use a geomembrane cover made of 20-mil string reinforced LLDPE liner or an equivalent cover approved by the district office that is composed of an impervious, synthetic material that is resistant to petroleum hydrocarbons, salts and acidic and alkaline solutions and complies with EPA SW-846 Method 9090A.
3. Over the sloping, stabilized material and liner, place the **Soil Cover Design**:
 - a. at least 3-feet of compacted, uncontaminated, non-waste containing earthen fill with chloride concentrations less than 600 mg/kg as analyzed by EPA Method 300.0.
 - b. either the background thickness of topsoil or one foot of suitable material to establish vegetation at the site, whichever is greater, over the 3-foot earth material.
4. Contour the cover to blend with the surrounding topography and to prevent erosion of the cover and ponding over the cover.

Closure Notice

The operator will notify the surface owner by certified mail, return receipt requested, that the operator plans closure operations at least 72 hours, but not more than one week, prior to any closure operation. The notice will include the well name, API number, and location.

After approval for in-place burial, the operator shall notify the district office verbally and in writing at least 72 hours but not more than one week before any closure operation. Notice will include the operator's and the location of the temporary pit. The location will include unit letter, section number, township and range. If the location is associated with a well, then the well's name, number and API number will be included.

Should onsite burial be on private land, the operator will file a deed notice including exact location of the burial with the county clerk of the county where the onsite burial is located.

Closure Report

Within 60 days of closure completion, the operator will submit a

- i. closure report on form C-144, with necessary attachments
- ii. a certification that all information in the report and attachments is correct, that the operator has complied with all applicable closure requirements and conditions specified in the approved closure plan

C-144 Supplemental Documentation for Temporary Pit

- iii. a plat of the pit location on form C-105
- iv. if burial is in a nearby trench/pit, a separate C-105 showing the exact location

Unless the permit transmittal letter requests an alternative maker to comply with surface landowner specifications, the operator will place at the center of an onsite burial a steel marker that

- is not less than four inches in diameter
- is placed at the bottom of a three-foot deep hole (minimum) that is filled with cement to secure the marker
- is at least four feet above mean ground level
- permanently displays the operator name, lease name, well number, unit letter, section, township and range in welded or stamped legible letters/numbers

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Timing of Closure

The operator will close the temporary pit within 6 months from the date the drilling or workover rig was released from the site. This date will be noted on form C-105 or C-103 filed with the division upon the well's or workover's completion.

Reclamation and Re-vegetation Plan

In addition to the area of the in-place burial, the operator will reclaim to a safe and stable condition that blends with the surrounding undisturbed area

1. the pit location not used for burial
2. other areas associated with the in-place burial including access roads

Areas not reclaimed as described herein due to their use in production or drilling operations will be stabilized and maintained to minimize dust and erosion.

As stated above, the soil cover for burial in-place

- A. consists of a minimum of three feet of non-waste containing, uncontaminated, earthen material with chloride concentrations less than 600 mg/kg as analyzed by EPA Method 300.0 placed over the liner and stabilized solids
- B. is capped by the background thickness of topsoil or 1-foot of suitable material to establish vegetation, whichever is greater
- C. blends into surrounding topography
- D. is graded to prevent ponding and to minimize erosion

For all areas disturbed by the closure process that will not be used for production operations or future drilling, the operator will

- I. Replace topsoils and subsoils to their original relative positions
- II. Grade so as to achieve erosion control, long-term stability and preservation of surface water flow patterns

III. Reseed in the first favorable growing season following closure

Re-vegetation and reclamation plans imposed by the surface owner will be outlined in communications with the OCD.

The operator will notify the division when the surface grading work element of reclamation is complete.

The operator will notify the division when the site meets the surface owner's requirements or exhibits a uniform vegetative cover that reflects a life-form ratio of plus or minus fifty percent (50%) of pre-disturbance levels and a total percent plant cover of at least seventy percent (70%) of pre-disturbance levels, excluding noxious weeds.

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