

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 CLEZ
Revised August 1, 2011

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

Closed-Loop System Permit or Closure Plan Application

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

Type of action: ☒ Permit ☐ Closure

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

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

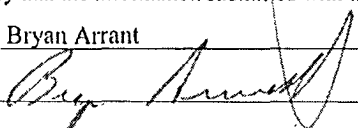
1. Operator: Chesapeake Operating, Inc. OGRID #: 147715
Address: P.O. Box 18496 Oklahoma City, OK 73154
Facility or well name: PLU PHANTOM BANKS 3 26 30 USA 1H
API Number: 30-015-39932 OCD Permit Number: 212565
U/L or Qtr/Qtr O Section 3 Township 26S Range 30E County: EDDY
Center of Proposed Design: Latitude 32.0653794 Longitude -103.86687 NAD: ☐ 1927 ☒ 1983
Surface Owner: ☒ Federal ☐ State ☐ Private ☐ Tribal Trust or Indian Allotment

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

3. Signs: Subsection C of 19.15.17.11 NMAC
☐ 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers
☒ Signed in compliance with 19.15.16.8 NMAC

4. Closed-loop Systems Permit Application Attachment Checklist: Subsection B of 19.15.17.9 NMAC
Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.
☒ Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC
☒ Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC
☒ Closure Plan (Please complete Box 5) - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC
☐ Previously Approved Design (attach copy of design) API Number: _____
☐ Previously Approved Operating and Maintenance Plan API Number: _____

5. Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only: (19.15.17.13.D NMAC)
Instructions: Please identify the facility or facilities for the disposal of liquids, drilling fluids and drill cuttings. Use attachment if more than two facilities are required.
Disposal Facility Name: CRI Disposal Facility Permit Number: NM-01-0006
Disposal Facility Name: SUNDANCE DISOSAL Disposal Facility Permit Number: NM-01-0003
Will any of the proposed closed-loop system operations and associated activities occur on or in areas that will not be used for future service and operations?
☐ Yes (If yes, please provide the information below) ☒ No
Required for impacted areas which will not be used for future service and operations:
☐ Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
☐ Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC
☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

6. Operator Application Certification:
I hereby certify that the information submitted with this application is true, accurate and complete to the best of my knowledge and belief.
Name (Print): Bryan Arrant Title: Regulatory Specialist II
Signature:  Date: 02/29/2012
e-mail address: bryan.arrant@chk.com Telephone: (405)935-3782

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

OCD Representative Signature: AR Dool Approval Date: 03/01/2012

Title: Dist H Supervisor OCD Permit Number: 212565

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

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

☐ Closure Completion Date: _____

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

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

Disposal Facility Name: _____ Disposal Facility Permit Number: _____

Disposal Facility Name: _____ Disposal Facility Permit Number: _____

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

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

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

☐ Site Reclamation (Photo Documentation)

☐ Soil Backfilling and Cover Installation

☐ Re-vegetation Application Rates and Seeding Technique

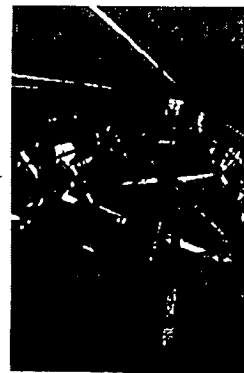
10. **Operator Closure Certification:**

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

Name (Print): _____ Title: _____

Signature: _____ Date: _____

e-mail address: _____ Telephone: (405)935-3782



RIG #62

DRAWWORKS

Skytop Brewster N-75-M (1000HP)
1 1/4" drill line, Parmac 342 auxillary brake

POWER

(2) Caterpillar 379 engines (550HP each)

LIGHT PLANTS

(2) Caterpillar C-15 engines w/ 320 KW generators

MAST

Ideal 137' w/ 622,000# capacity on 10 lines

SUBSTRUCTURE

Ideal 15' box on box
KB 17" Rotary beam clearance 12' 3"

BLOCK HOOK

McKissick (300 Ton) combo

PUMPS

(2) National 10-P-130 (1300HP each) triplex pumps
Each Independently powered by (1) Caterpillar 3512 engine

MUD PITS

(2) tank system - 980 bbl capacity w/ 100 bbl slug pit

SOLIDS EQUIPMENT

Derrick FLC-503 Dual Shaker
Derrick 3-cone desander
Derrick 20-cone desilter
Atmospheric degasser
(5) mud agitators

BOP'S

13 5/8" X 5,000 psi Hydril annular
13 5/8" X 5,000 psi Shaffer double

ACCUMULATOR

Koomey 5-Station, 110 gallon accumulator

CHOKE MANIFOLD

5,000 psi choke manifold

SWIVEL

Continental Emsco (400 Ton)

ROTARY TABLE

National (27 1/2")

DRILL PIPE

4 1/2" drill pipe

DRILL COLLARS

8" and 6 1/2" drill collars
*quantity subject to availability

AUXILIARY EQUIPMENT

Pason EDR (base system)
Fuel Tank - 10,000 gallon capacity
Water Tank - (2) 500 barrel capacity each
Rig Manager Quarters
NOV ST-80 Iron Roughneck
Satellite automatic driller
Mathey survey unit

Revised 10.01.03



PATTERSON-UTI
DRILLING COMPANY

**Chesapeake Operating, Inc.'s Closed Loop System
PLU PHANTOM BANKS 3 26 30 USA 1H
Unit B, Sec. 3, T-26-S R-30-E
Eddy Co., NM
API # 30-015-39932**

Equipment & Design:

Chesapeake Operating, Inc. is to use a closed loop system with roll-off steel pits. Patterson-UTI Drilling Company has the following equipment for maintenance of their drilling mud:

- (1) Derrick FLC-503 Dual Shale Shaker
- (1) Derrick 3-Cone Desander
- (1) Atmospheric Degasser
- (5) Mud Agitators
- (1) 500 bbl frac tank for fresh water
- (1) 500 bbl frac tank for brine water

Operations & Maintenance:

During each tour, the rig's drilling crew will inspect and monitor the drilling fluids contained within the steel pits and visually monitor any spill which may occur. Should a spill, release, or leak occur; the NMOCD District II office in Artesia (575-748-1283) will be notified. Please note that notifications may be made earlier to the district office should a greater release occur per NMOCD's rules.

Closure:

During and after drilling operations, drilling fluids and cuttings will be hauled to Controlled Recovery, Inc. Permit # NM-01-0006.

The alternative disposal facility will be Sundance Disposal. Permit # NM-01-0003.