

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 NMOCD 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.

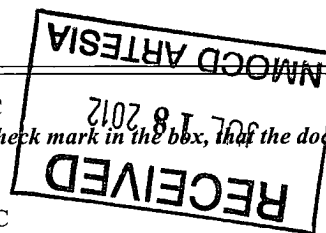
Please be advised that approval of this request does not relieve the operator of liability should operations result in pollution of surface water, ground water or the environment. Nor does approval relieve the operator of its responsibility to comply with any other applicable governmental authority's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

1.
Operator: Trek Operating, LLC OGRID #: 255281
Address: 10159 E. 11th St., Ste. 401 Tulsa, OK 74128
Facility or well name: Pearl #1
API Number: 30-015-40496 OCD Permit Number: 213220
U/L or Qtr/Qtr UL O Section 34 Township 23-S Range 28-E County: Eddy
Center of Proposed Design: Latitude N 32.25387° Longitude W 104.07100° NAD: ☐ 1927 ☒ 1983
Surface Owner: ☐ Federal ☐ State ☒ Private ☐ Tribal Trust or Indian Allotment

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

3.
Signs: Subsection C of 19.15.17.11 NMAC
☐ 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers
☒ Signed in compliance with 19.15.16.8 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: R360 CRI Halfway Facility Disposal Facility Permit Number: R-9166
Disposal Facility Name: _____ Disposal Facility Permit Number: _____
Will any of the proposed closed-loop system operations and associated activities occur on or in areas that will not be used for future service and operations?
☐ Yes (If yes, please provide the information below) ☒ No
Required for impacted areas which will not be used for future service and operations:
☐ Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
☐ Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC
☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

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): Brad D. Burks Title: General Manager
Signature: Brad D. Burks Date: 7-16-2012
e-mail address: operations@bkxcorp.com Telephone: 918-582-3855 (x101)

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

OCD Representative Signature: [Signature] Approval Date: 7/18/12

Title: Dist. H. Supervisor OCD Permit Number: 213220

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

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

☐ Closure Completion Date: _____

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

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

Disposal Facility Name: _____ Disposal Facility Permit Number: _____

Disposal Facility Name: _____ Disposal Facility Permit Number: _____

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

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

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

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

10. **Operator Closure Certification:**

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

Name (Print): _____ Title: _____

Signature: _____ Date: _____

e-mail address: _____ Telephone: _____

EXHIBIT A

**Attachment to OCD Form C-144 for Pearl #1
Closed-Loop Mud System Permit Application
UL "O" Sec. 34-T23S-R28E Eddy Co., NM
July 16, 2012**

DESIGN PLAN (19.15.17.11 NMAC, Design and Construction Specifications)

- A. General:** Proposed well will utilize a closed-loop drilling mud system. The system effectively filters and separates drill cuttings from the drilling mud to enable the haul-off and disposal of the drill cuttings to an approved disposal facility, thereby avoiding on-site disposal of the drill cuttings. Upon the completion of the drilling phase of the well, drilling mud will be hauled to an approved disposal facility.
- B. Stockpiling of Topsoil:** The closed-loop system is comprised of filtering, separation, and temporary storage equipment. As the storage equipment (roll-off bin) is filled during drilling operations, contents are hauled off-site to an approved disposal facility. There will be no impact to the surface of the earth in the proposed equipment configuration; thus, no stockpiling of topsoil is necessary.
- C. Signs:** The proposed closed-loop system will be located adjacent to the well to be drilled. In that regard, the well and closed-loop systems will be signed under the requirements of 19.15.3.103 NMAC.
- D. Fencing:** Due to the type of surface equipment used in the closed-loop system, there will be no depression in the surface of the earth to require fencing. Furthermore, the open-top steel vessels utilized, to contain drilling liquids and solids, are typically seven feet tall, thereby restricting access by the general public and by wildlife.
- E. Netting:** Due to the design of the roll-off bins containing drilling solids and mud, temporary netting or screening of the vessels is not necessary.
- F. Temporary Pits:** Temporary in-ground pits will not be utilized in this closed-loop system. Upon the filling of a roll-off bin, a truck transports the drill cuttings and bin off-site to an approved disposal facility.
- G. Permanent Pits:** Permanent pits will not be utilized in this closed-loop system, for the reasons provided above under Temporary Pits.
- H. Closed Loop System:** The system will ensure the confinement of all drilling mud and solids to prevent releases onto the surface of the earth. Steel vessels will be utilized to hold liquids and solids, prior to haul-off to an approved disposal facility. Piping between the vessels utilizes valves and clamps to prevent surface releases. The system proposed will not utilize temporary or permanent pits, nor will utilize a drying pad for the drill cuttings. During the operation of the system, drill cuttings separated from the drilling mud will be discarded into a roll-off bin. Once filled to a safe level with solids, each bin is hauled to an approved disposal facility. Liquid pumps are available to remove any liquids that may appear in the roll-off bin, for return back into the closed-loop mud system.
- I. Below-grade tanks:** No such tank is of any use in this closed-loop system, and will not be utilized.
- J. On-Site Trenches:** A trench is not necessary in this closed-loop system, and will not be utilized.

OPERATING AND MAINTENANCE PLAN (19.15.17.12 NMAC Operational Requirements)

- A. General:** The closed-loop mud system will be designed and operated in a manner to maintain the integrity of its liquid and solid containment capabilities, to prevent the contamination of fresh water, and to protect public health and the environment. The equipment will be continuously monitored for conditions that might lead to unintended waste discharge, including the maintaining of liquids and solids levels a safe distance below the maximum, full level of the storage equipment (aka freeboard).

Drilling mud circulated in the closed-loop system will be removed upon completion of drilling operations and trucked off-site to a division approved disposal facility, exercising all possible precautions to prevent the contamination of fresh water and to protect public health and the environment.

Discharge into, or storage of, any hazardous waste into the closed-loop system will not be allowed.

The proposed closed-loop system will not utilize any type of earthen pit, or other earthen feature, thereby precluding the need for pit liners and the integrity thereof.

Should the closed-loop system develop a leak onto the surface of the earth, then procedures will be followed to remove all liquids from the ground, including any contaminated soil. Such contaminants will be hauled off-site to an approved disposal facility. All efforts will be made to repair the equipment to prevent additional discharges.

Withdrawal of liquids and solids from the closed-loop system's open-top steel containment vessels will be accomplished via hoses, transferring wastes into liquid transport trucks and hauling off-site to an approved disposal facility.

Since there will be no earthen pit of any kind, and since the closed-loop system is comprised of self-contained, steel vessels situated on top of the surface of the earth, there will be no impact to the equipment or to the environment due to surface water run-on. Because no earthen pit will be utilized, and due to the containment properties of the closed-loop system, the requirement to equip an earthen pit with oil absorbent devices is not applicable.

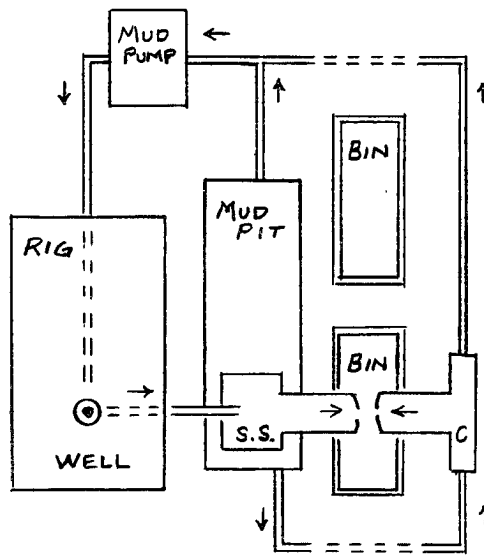
- B. Temporary Pits:** There are no plans to install a temporary pit, as there is no need in connection with the proposed closed-loop mud system.
- C. Permanent Pits:** There are no plans to install a permanent pit, since all drilling mud liquids and solids will be withdrawn from the closed-loop system and hauled off-site to an approved disposal facility.
- D. Below-grade Tanks:** Below-grade tanks will not be utilized in the closed-loop mud system.
- E. Sumps:** Sumps will not be utilized in the proposed closed-loop system.

CLOSURE PLAN (19.15.17.9 Subsection C and 19.15.17.13 NMAC, Closure Requirements)

- A. Closure Time Requirement:** The closed-loop mud system will be cleaned of all drilling mud liquids and solids within one week of the completion of the drilling phase of the proposed well. Upon disposal of the drilling wastes, the steel vessels of the system will be trucked off-site, to allow start of completion operations on the well. All wastes will be hauled off-site to an approved disposal facility. As there are no earthen pits of any kind, a formal earthen pit closure plan is not applicable. Likewise, the proposed closed-loop system will not utilize a drying pad, nor utilize any type of below-grade tank, thereby precluding the need for a formal closure plan.
- B. Temporary Pit Closure:** A temporary pit will not be constructed for the proposed closed-loop system. In that regard, a closure plan is not applicable.
- C. Permanent Pit Closure:** A permanent pit will not be constructed for the proposed closed-loop system. In that regard, a closure plan is not applicable.
- D. Closed-Loop Closure:** Although a closed-loop mud system is proposed, it will not utilize any earthen pit or drying pad. In those regards, a closure plan is not applicable. All wastes generated by the drilling of the proposed well will be removed from the steel vessels of the system and hauled off-site to an approved disposal facility. All waste, stored temporarily on-site in roll-off bins, is trucked off-site once the waste level nears the top of the containment vessels.
- E. Below-grade Tank Closure:** No below-grade tank will be installed. In that regard, a closure plan is not applicable.
- F. On-site Closure:** This proposal does not consider on-site closure as an option, and will not be employed. In that regard, a closure plan is not applicable.
- G. Pit and Pad Reclamation:** No pits or drying pads are planned for the closed-loop system. In that regard, a reclamation statement is not applicable.
- H. Soil Cover Design:** No pits or drying pads or below-grade tanks are planned for the closed-loop system. In that regard, a soil cover design is not applicable.
- I. Re-vegetation:** No pits or drying pads or below-grade tanks are planned for the closed-loop system. In that regard, a re-vegetation plan of those activities is not applicable.
- J. Closure Notice:** There are no pits, drying pads, below-grade tanks, trenches, or on-site disposal planned. In that regard, a closure notice is not applicable.
- K. Closure Report:** As proposed, the closed-loop system will not utilize an earthen feature of any kind. In that regard, a closure report is not applicable.

7-16-2012

ACCESS
ROAD



WELL LOCATION
OF
NATIVE CALICHE

S.S. = SHALE SHAKER

C = CENTRIFUGE