

Closed-Loop System Permit or Closure Plan Application

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources
Department
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144 CLEZ
July 21, 2008

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

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

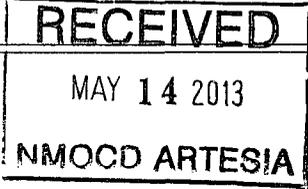
Type of action: [] Permit [X] Closure

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: LRE OPERATING, LLC OGRID #: 281994
Address: c/o Mike Pippin LLC, 3104 N. Sullivan, Farmington, NM 87401
Facility or well name: HORSESHOE STATE #1
API Number: 30-015-40230 OCD Permit Number: 212874
U/L or Qtr/Qtr F Section 30 Township 17-S Range 28-E County: EDDY
Center of Proposed Design: Latitude Longitude NAD: [] 1927 [] 1983
Surface Owner: [] Federal [X] State [] Private [] Tribal Trust or Indian Allotment

2. [X] Closed-loop System: Subsection H of 19.15.17.11 NMAC
Operation: [X] 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 [X] 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
[X] Signed in compliance with 19.15.3.103 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: Disposal Facility Permit Number:
Disposal Facility Name: Disposal Facility Permit Number:
Will any of the proposed closed-loop system operations and associated activities occur on or in areas that 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): Title:
Signature: Date:
e-mail address: Telephone:

LRE OPERATING, LLC
PIT CLOSURE

DRILLING DESIGN: Closed Loop System – CLS (Closed Loop Systems) supplied roll-off steel bins (pits).

COMPLETION DESIGN: Closed Loop System – Flow tank during completion
A ~100 bbl flow tank will be provided by Reliable Well Service, 512 W. Texas, Artesia, NM 88210, 575-748-1213. Contact person: Wille Morrison

CLOSURE:

During drilling and completion operations, all solids and cuttings were hauled off by CLS to their disposal facility, Permit #R-9166.

All liquids were hauled to Westall Loco Hills Water Disposal. Permit #R-3221.
The closed loop equipment was inspected daily by the rig crew during drilling and completion operations. There were no leaks or spills during drilling or completion operations.