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 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.

RECEIVED
JAN 19 2010
NMOCD ARTESIA

1.
Operator: Yates Petroleum Corporation OGRID #: 025575
Address: 105 South Fourth Street, Artesia, New Mexico 88210
Facility or well name: Spaniel BPB State Com #1H
API Number: 30-015-37550 OCD Permit Number: 209935
U/L or Qtr/Qtr P Section 16 Township 26S Range 25E County: Eddy
Center of Proposed Design: Latitude N 32.038617 Longitude W 104.392822 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 19.15.3.103 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 indentify 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: Gandy Marley Disposal Facility Permit Number: NM-01-0019
Disposal Facility Name: CRI Disposal Facility Permit Number: R-9166
Disposal Facility Name: Lea Land Farm Disposal Facility Permit Number: WM-1-035
Disposal Facility Name: Sundance Services Inc. 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): Monti Sanders Title: Land Regulatory Technician

Signature: M Sanders Date: January 14, 2010

e-mail address: montis@yatespetroleum.com Telephone: 575-748-4244

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

OCD Representative Signature: Lewis R Dade **Approval Date:** 02/04/2010

Title: Dist II Supervisor **OCD Permit Number:** 209935

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: _____

Yates Petroleum Corporation
Closed Loop System

Equipment Design Plan

Closed Loop System will consist of:
1 – double panel shale shaker
1 – (minimum) Centrifuge, certain wells and flow rates may require 2 centrifuges
On certain wells, the Centrifuge will be replaced by a Clackco Settling Tank System
1 – minimum centrifugal pump to transfer fluids
2- 500 bbl. FW Tanks
1 – 500 bbl. BW Tank
1 – half round frac tank – 250 bbl. capacity as necessary to catch cement / excess mud returns generated during a cement job.
1 Set of rail cars / catch bins
Certain wells will use an ASC Auger Tank

Operation Plan

All equipment will be inspected at least hourly by rig personnel and daily by contractors' personnel.
Any spills / leaks will be reported to YPC, NMOCD, and cleaned up without delay.

Closure Plan

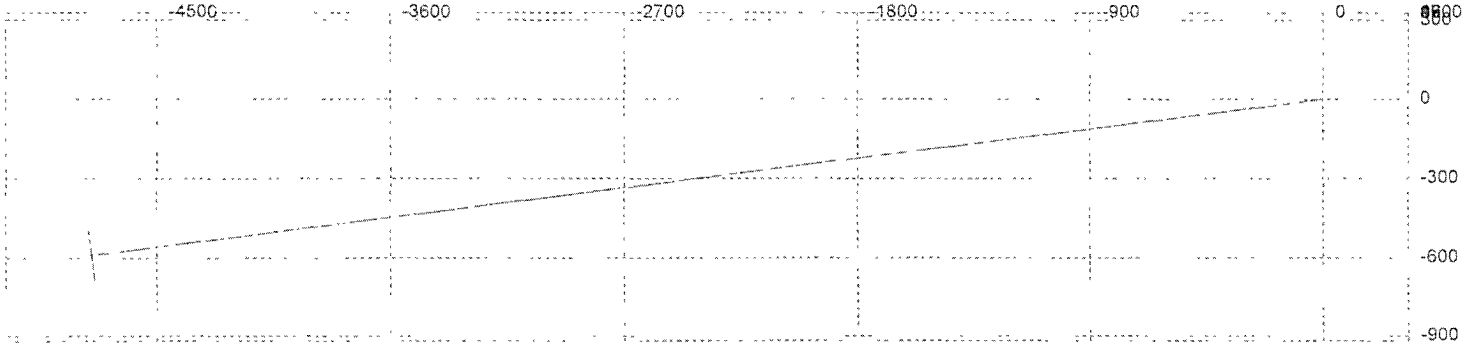
Drilling with Closed Loop System, haul off bins will be taken to Gandy Marley, Lea Land Farm, CRI or Sundance Services Inc.

M.D.	Inclination	Azimuth	T.V.D.	N+/S-	E+/W-	D.L.S	ToolFace	T.F. Ref.[HS/GN]	
0	0	0	0	0	0	0			
380	0	0	380	0	0	0			CASTILLE
1,300	0	0	1,300	0	0	0			BELL CANYON
2,190	0	0	2,190	0	0	0			CHERRY CANYON
3,600	0	0	3,600	0	0	0			BRUSHY CANYON
4373	0	0	4373	0	0	12	263	GN	KOP
4375	0.24	262.92	4375	0	0	12	0	HS	
4400	3.24	262.92	4399.99	-0.09	-0.76	12	360	HS	
4425	6.24	262.92	4424.9	-0.35	-2.81	12	360	HS	
4450	9.24	262.92	4449.67	-0.76	-6.15	12	360	HS	
4475	12.24	262.92	4474.23	-1.34	-10.77	12	360	HS	
4500	15.24	262.92	4498.51	-2.07	-16.66	12	0	HS	
4523	18	262.92	4520.55	-2.88	-23.19	12	360	HS	BRUSHY CANYON MARKER
4525	18.24	262.92	4522.45	-2.96	-23.81	12	360	HS	
4550	21.24	262.92	4545.97	-4	-32.19	12	360	HS	
4575	24.24	262.92	4569.03	-5.19	-41.78	12	0	HS	
4600	27.24	262.92	4591.54	-6.53	-52.55	12	0	HS	
4625	30.24	262.92	4613.46	-8.01	-64.48	12	0	HS	
4650	33.24	262.92	4634.72	-9.63	-77.53	12	360	HS	
4675	36.24	262.92	4655.26	-11.39	-91.66	12	0	HS	
4700	39.24	262.92	4675.03	-13.27	-106.85	12	0	HS	
4725	42.24	262.92	4693.97	-15.28	-123.04	12	360	HS	
4750	45.24	262.92	4712.03	-17.41	-140.19	12	360	HS	
4762	46.68	262.92	4720.37	-18.48	-148.75	12	0	HS	BONE SPRINGS
4775	48.24	262.92	4729.16	-19.66	-158.25	12	360	HS	
4800	51.24	262.92	4745.32	-22.01	-177.18	12	0	HS	
4825	54.24	262.92	4760.45	-24.46	-196.93	12	0	HS	
4850	57.24	262.92	4774.52	-27.01	-217.43	12	0	HS	
4875	60.24	262.92	4787.49	-29.64	-238.63	12	360	HS	
4900	63.24	262.92	4799.33	-32.35	-260.48	12	0	HS	
4925	66.24	262.92	4810	-35.14	-282.92	12	0	HS	
4950	69.24	262.92	4819.46	-37.99	-305.88	12	0	HS	
4975	72.24	262.92	4827.71	-40.9	-329.29	12	360	HS	
5000	75.24	262.92	4834.71	-43.86	-353.11	12	0	HS	
5025	78.24	262.92	4840.44	-46.86	-377.25	12	0	HS	
5050	81.24	262.92	4844.9	-49.89	-401.66	12	360	HS	
5075	84.24	262.92	4848.05	-52.95	-426.27	12	360	HS	
5100	87.24	262.92	4849.91	-56.02	-451.01	12	0	HS	
5123.05	90.01	262.92	4850.46	-58.86	-473.88	12	0	HS	AVALON SHALE
9432.04	90.01	262.92	4850	-590	-4750	0			LATERAL TD

Pilot hole drilled vertically to 7000'. Well will be plugged back with a 400'-500' kick off plug, then kicked off at approx 4373' and directionally drilled at 12 degrees per 100' with a 7 7/8" hole to 9432' MD (4850' TVD) where 5 1/2" casing will be set and cemented. Penetration point of producing zone will be encountered at 1191' FSL and 674' FEL, 16-26S-25E. Deepest TVD in the well is 7000' in the pilot hole. Deepest TVD in the lateral will be 4850'

3D³ Directional Drilling Planner - 3D View

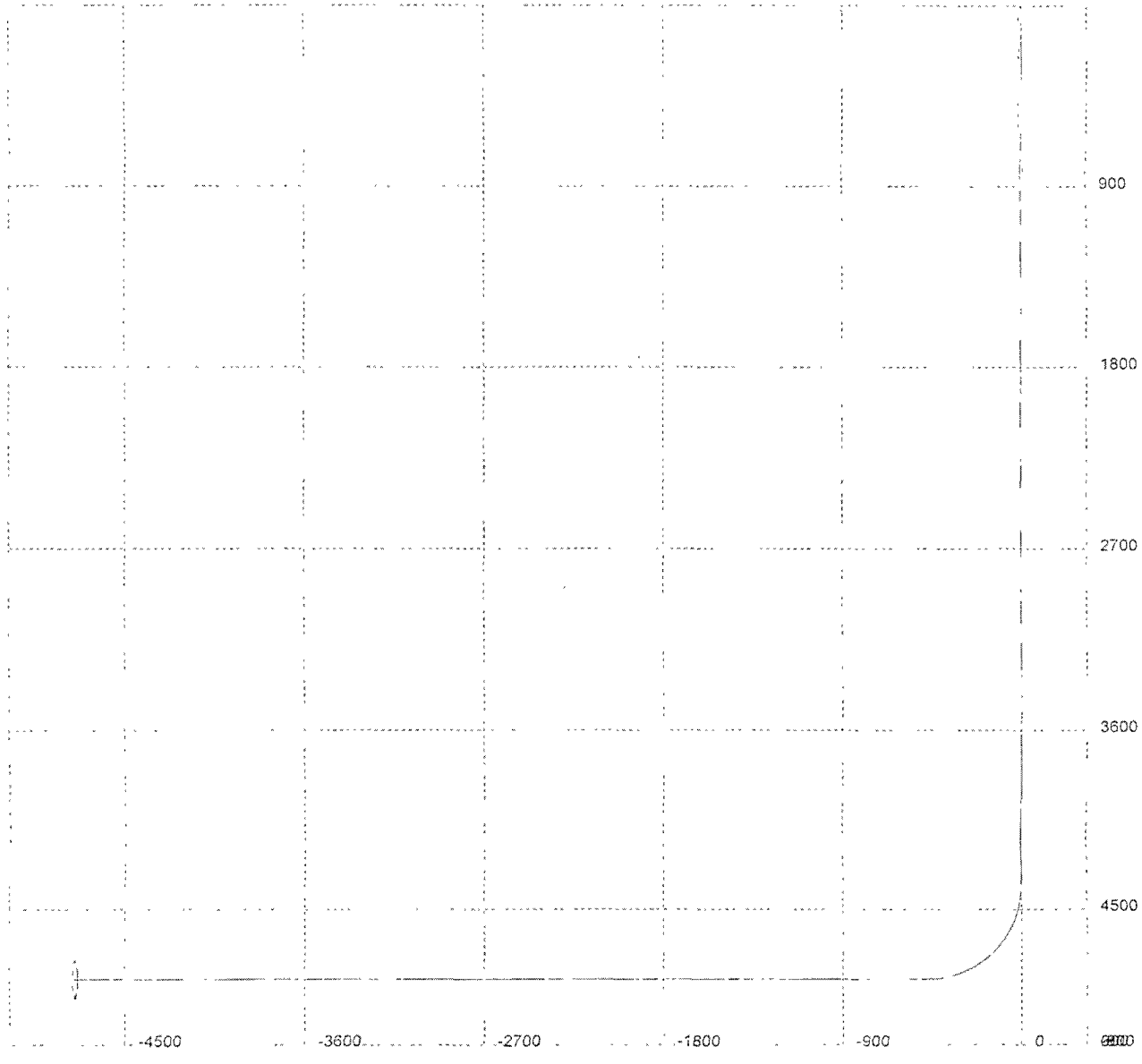
Company: **Yates Petroleum Corporation**
Well: **Spaniel BPB State Com. #1H**



File: G:\drilling toolbox wellplans\Horizontal\spaniel1h.wpp

3D³ Directional Drilling Planner - 3D View

Company: **Yates Petroleum Corporation**
Well: **Spaniel BPB State Com. #1H**



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