

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.

10793

**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: Dugan Production Corp. OGRID #: 6515  
Address: P.O.Box 420, Farmington, NM 87499  
Facility or well name: Chaco # 003  
API Number: 300-45-22472 OCD Permit Number: \_\_\_\_\_  
U/L or Qtr/Qtr F Section 1 Township 24N Range 9W County: San Juan  
Center of Proposed Design: Latitude 36.34579 N Longitude 107.7448 W 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

RCVD JAN 3 '13  
OIL CONS. DIV.  
DIST. 3

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: Sanchez O' Brien SWD # 1 Disposal Facility Permit Number: SWD - 694  
Disposal Facility Name: IEI Disposal Facility Permit Number: NM - 01-001B  
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): Aliph T Reena Title: Production Engineer  
Signature: [Signature] Date: 01/02/2013  
e-mail address: aliph.reena@duganproduction.com Telephone: 505-325-1825

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

OCD Representative Signature: Joseph D. Kelly Approval Date: 1/09/2013

Title: Compliance Officer OCD Permit Number: \_\_\_\_\_

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: \_\_\_\_\_

## **Dugan Production Corp.**

Closed Loop System Proposal  
Chaco # 003  
1-T24N-R9W  
API 30-045-22472  
Plug to Abandon

### Closed-Loop Design Plan:

Dugan Production proposes to use a closed loop circulating system to contain well bore fluid and cement generated during the plugging to abandon procedure on the subject well. The system will not entail any drying pad, temporary pit, below grade tank or sump. The system will consist of an above ground tank with adequate volume to hold all fluid generated during the operation.

1. Fencing is not required for an above ground closed-loop system.
2. Signage in compliance with 19.15.3.103 NMAC will be present.
3. Water will be contained in a 500 bbl water tank or a water truck that will contain only fresh water.

### Closed-Loop Operating and Maintenance Plan:

The subject closed-loop system will be operated and maintained to contain liquids and solids in order to prevent contamination of fresh water sources, and to protect public health and the environment. To ensure that the operation is maintained, the following steps will be followed:

1. The fluids will be vacuumed out and disposed of at the Dugan Production operated Sanchez O'Brien 1 SWD (Permit SWD-694) located 1650' FSL and 990' FWL L-Sec.6-Twn.24N-Rng.9W. Solids in the closed loop system will be vacuumed out and disposed of at either the Envirotech facility (permit NM-01-0011) located in Sec.6-Twn.26N-Rng.10W or the IEI facility (permit NM-01-001B) located in Sec.2-Twn.29N-Rng.12W.
2. No hazardous waste, miscellaneous solid waste or debris will be discharged into or stored in the tank. Only fluids or cuttings used or generated by operations associated with this procedure will be placed or stored in the tank.
3. The division district office will be notified within 48 hours of the discovery of compromised integrity of the closed-loop tank. Upon the discovery of the compromised tank, repairs will begin immediately.
4. All the above operations will be inspected daily and a log will be signed and dated.

### Closed-Loop Closure Plan:

The closed-loop tank will be closed in accordance with 19.15.17.13. This will be done by transporting cuttings and all remaining material to the Envirotech facility (permit NM-01-0011) located in Sec.6-Twn.26N-Rng.10W or the IEI facility (permit NM-01-001B) located in Sec.2-Twn.29N-Rng.12W. All remaining liquids will be transported and disposed of at the Dugan Production operated Sanchez O'Brien 1 SWD (permit SWD-694) located 1650' FSL and 990' FWL, L-Sec.6-Twn.24N-Rng.9W.