

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.

3915

**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

|                                                                                                                                                                                      |                   |                             |                                                                             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-----------------------------|-----------------------------------------------------------------------------|
| Operator: <u>XTO ENERGY INC.</u>                                                                                                                                                     |                   | OGRID #: <u>5380</u>        | RCVD AUG 20 '09                                                             |
| Address: <u>382 CR 3100 AZTEC, NM 87410</u>                                                                                                                                          |                   | OIL CONS. DIV.              |                                                                             |
| Facility or well name: <u>GALLEGOS FEDERAL 26 13 12 01S</u>                                                                                                                          |                   | DIST. 3                     |                                                                             |
| API Number: <u>30-045-31657</u>                                                                                                                                                      |                   | OCD Permit Number: _____    |                                                                             |
| U/L or Qtr/Qtr <u>C</u>                                                                                                                                                              | Section <u>12</u> | Township <u>26N</u>         | Range <u>13W</u> County: <u>SAN JUAN</u>                                    |
| Center of Proposed Design: Latitude <u>36.507242</u>                                                                                                                                 |                   | Longitude <u>108.172809</u> | NAD: <input checked="" type="checkbox"/> 1927 <input type="checkbox"/> 1983 |
| Surface Owner: <input checked="" type="checkbox"/> Federal <input type="checkbox"/> State <input type="checkbox"/> Private <input type="checkbox"/> Tribal Trust or Indian Allotment |                   |                             |                                                                             |

|                                                                                                                                                                                                                                    |  |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|
| <b>2</b><br><input checked="" type="checkbox"/> <b>Closed-loop System:</b> Subsection H of 19.15.17.11 NMAC                                                                                                                        |  |
| Operation: <input type="checkbox"/> Drilling a new well <input checked="" type="checkbox"/> Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent) <input type="checkbox"/> P&A |  |
| <input checked="" type="checkbox"/> Above Ground Steel Tanks or <input type="checkbox"/> Haul-off Bins                                                                                                                             |  |

|                                                                                                                            |  |
|----------------------------------------------------------------------------------------------------------------------------|--|
| <b>3</b><br><b>Signs:</b> Subsection C of 19.15.17.11 NMAC                                                                 |  |
| <input type="checkbox"/> 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers |  |
| <input checked="" type="checkbox"/> Signed in compliance with 19.15.3.103 NMAC                                             |  |

|                                                                                                                                                                            |                   |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| <b>4</b><br><b>Closed-loop Systems Permit Application Attachment Checklist:</b> Subsection B of 19.15.17.9 NMAC                                                            |                   |
| <b>Instructions:</b> 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.        |                   |
| <input checked="" type="checkbox"/> Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC                                                              |                   |
| <input checked="" type="checkbox"/> Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC                                           |                   |
| <input checked="" type="checkbox"/> 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 |                   |
| <input type="checkbox"/> Previously Approved Design (attach copy of design)                                                                                                | API Number: _____ |
| <input type="checkbox"/> Previously Approved Operating and Maintenance Plan                                                                                                | API Number: _____ |

|                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                            |                                                    |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------|
| <b>5</b><br><b>Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only:</b> (19.15.17.13.D NMAC)                                                                                                                                                                                                                                                                                                                                                         |                                                    |
| <b>Instructions:</b> 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: <u>BASIN DISPOSAL</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                              | Disposal Facility Permit Number: <u>NM01-005</u>   |
| Disposal Facility Name: <u>IEI</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                         | Disposal Facility Permit Number: <u>NM01-0010B</u> |
| 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?<br><input type="checkbox"/> Yes (If yes, please provide the information below) <input checked="" type="checkbox"/> No                                                                                                                                                                                                                       |                                                    |
| Required for impacted areas which will not be used for future service and operations:<br><input type="checkbox"/> Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC<br><input type="checkbox"/> Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC<br><input type="checkbox"/> Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC |                                                    |

|                                                                                                                                              |                                |
|----------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------|
| <b>6</b><br><b>Operator Application Certification:</b>                                                                                       |                                |
| 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): <u>BARBARA J CONDER</u>                                                                                                        | Title: <u>REGULATORY CLERK</u> |
| Signature: <u>Barbara J Conder</u>                                                                                                           | Date: <u>08/17/09</u>          |
| e-mail address: <u>barbara conder@xtoenergy.com</u>                                                                                          | Telephone: <u>505-333-3100</u> |

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

OCD Representative Signature: Branch Bell Approval Date: 9/1/09

Title: Enviro Spec 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: \_\_\_\_\_

**XTO Energy Inc.**  
**San Juan Basin**  
**Closed-Loop System Design and Construction Plan**

In accordance with Rule 19.15.17.11 NMAC the following information describes the design and construction of closed-loop systems on XTO Energy Inc. (XTO) locations. This is XTO's standard procedure for all closed-loop systems. A separate plan will be submitted for any closed-loop system which does not conform to this plan.

**General Plan**

Our closed-loop system will not entail a drying pad, temporary pit, below grade tank or sump. It will entail an above ground tank suitable for holding the cuttings and fluids for rig operations. The tank will be of sufficient volume to maintain a safe free board between disposal of the liquids and solids from rig operations.

1. Fencing is not required for an above ground closed-loop system.
2. It will be signed in compliance with 19.15.3.103 NMAC.

**XTO Energy Inc.**  
**San Juan Basin**  
**Closed-Loop Systems Maintenance and Operating Plan**

In accordance with Rule 19.15.17.11 NMAC the following information describes the operation and maintenance of closed-loop systems on XTO Energy Inc. (XTO) locations. This is XTO's standard procedure for all closed-loop systems. A separate plan will be submitted for any closed-loop system which does not conform to this plan.

**General Plan**

The closed-loop tank will be operated and maintained; to contain liquids and solids, to aid in the prevention of contamination of fresh water sources, in order to protect public health and the environment. To attain the goal the following steps will be followed:

1. The liquids will be vacuumed out and disposed of at the Basin Disposal, Inc. facility (Permit Number NM01-005). An alternative if available for liquids disposal, will be to move the liquids forward to a XTO temporary pit constructed in accordance with all specifications in NMAC Rule 19.15.17 for a well yet to be drilled. All specifications, limitations, and rules within the New Mexico Administrative Code regulating this transfer of liquids will be strictly adhered to. As a third alternative, if Basin Disposal turns away the fluids because of capacity reasons, and the second transfer option is not available, XTO may elect to haul fluids to IEI (Permit Number NM01-0010B) for final disposition.
2. Solids in the closed-loop tank will be vacuumed out and disposed of at Envirotech (Permit Number NM01-0011) or IEI (Permit Number NM01-0010B) on a periodic basis to prevent over topping.
3. No hazardous waste, miscellaneous solids, waste, or debris will be discharged into, or stored in the tank. Only fluids or cutting used or generated by rig operations will be placed or stored in the tank.
4. The division district office will be notified within 48 hours of the discovery of compromised integrity of the closed-loop tank. Upon discovery of the compromised tank, repairs will be enacted immediately.
5. All of the above operations will inspected and a log will be signed and dated daily during rig operations.

**XTO Energy Inc.**  
**San Juan Basin**  
**Closed-Loop System Closure Plan**

In accordance with Rule 19.15.17.11 NMAC the following information describes the closure requirements of closed-loop systems on XTO Energy Inc. (XTO) locations. This is XTO's standard procedure for all closed-loop systems. A separate plan will be submitted for any closed-loop system which does not conform to this plan.

**General Plan**

XTO will close a drying pad used for a closed-loop system within six months from the date that XTO released the drilling or workover rig. XTO will not the date of the drilling or workover rig's release on form C-105 or C-103, riled with the division, upon the well's or workover's completion.

The closed-loop tank will be closed in accordance with 19.15.17.13 NMAC. This will be done by transporting cuttings and all remaining sludges to Envirotech (Permit Number NM01-0011) or IEI (Permit Number NM01-0010B) immediately following rig operations.

All remaining liquids will be transported and disposed of at the Basin Disposal, Inc facility (Permit Number NM 01-005). As an alternative (in the event Basin Disposal refused liquids because of capacity considerations, and if proper inventory space is available for liquids transfer while meeting free board requirements), the liquids will be moved forward to a XTO temporary pit constructed in accordance with all specifications in NMAC Rule 19.15.17 for a well yet to be drilled. All specifications, limitations, and rules within the New Mexico Administrative Codes regulating this transfer of liquids will be strictly adhered to. As a third alternative, if Basin Disposal turns away the fluids because of capacity reasons, and the second transfer option is not available, XTO may elect to haul the fluids to IEI (Permit Number 01-0010B) for final disposition.

The tanks will be removed from the location as part of the rig move. At the time of well abandonment the site will be reclaimed and re-vegetated to pre-existing conditions when possible.