

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.

4182

**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.

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| 1. Operator: <u>MCKAY OIL AND GAS LLC</u> OGRID #: <u>010715</u> <b>RCVD OCT 21 '09</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                              |  |
| Address: <u>P.O. Box 14738 ALBUQUERQUE, NM 87191</u> <b>OIL CONSV. DIV.</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                          |  |
| Facility or well name: <u>MCKAY NO. 1</u> <b>DIST. 3</b>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |  |
| API Number: <u>30-045-21946</u> OCD Permit Number: _____                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                             |  |
| U/L or Qtr/Qtr <u>K</u> Section <u>19</u> Township <u>29N</u> Range <u>10W</u> County: <u>SAN JUAN</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                               |  |
| Center of Proposed Design: Latitude <u>36.42535 °N</u> Longitude <u>107.55746 °W</u> NAD: <input type="checkbox"/> 1927 <input checked="" type="checkbox"/> 1983                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |  |
| Surface Owner: <input type="checkbox"/> Federal <input type="checkbox"/> State <input checked="" type="checkbox"/> Private <input type="checkbox"/> Tribal Trust or Indian Allotment                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                 |  |
| 2. <input type="checkbox"/> Closed-loop System: Subsection H of 19.15.17.11 NMAC<br>Operation: <input type="checkbox"/> Drilling a new well <input type="checkbox"/> Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent) <input checked="" type="checkbox"/> P&A<br><input checked="" type="checkbox"/> Above Ground Steel Tanks or <input type="checkbox"/> Haul-off Bins                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                     |  |
| 3. <b>Signs:</b> Subsection C of 19.15.17.11 NMAC<br><input type="checkbox"/> 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers<br><input checked="" type="checkbox"/> Signed in compliance with 19.15.3.103 NMAC                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                    |  |
| 4. <b>Closed-loop Systems Permit Application Attachment Checklist:</b> Subsection B of 19.15.17.9 NMAC<br><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.<br><input checked="" type="checkbox"/> Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC<br><input checked="" type="checkbox"/> Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC<br><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<br><input type="checkbox"/> Previously Approved Design (attach copy of design) API Number: _____<br><input type="checkbox"/> Previously Approved Operating and Maintenance Plan API Number: _____                                                                                                                                                                                                                                                                                                                                                                                                                                                   |  |
| 5. <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)<br><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.<br>Disposal Facility Name: <u>INDUSTRIAL ECOSYSTEMS</u> Disposal Facility Permit Number: <u>NM-01-00108</u><br>Disposal Facility Name: <u>AGUA MOSS</u> Disposal Facility Permit Number: <u>API 30-048-30922</u><br>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<br><b>Required for impacted areas which will not be used for future service and operations.</b><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 |  |
| 6. <b>Operator Application Certification:</b><br>I hereby certify that the information submitted with this application is true, accurate and complete to the best of my knowledge and belief.<br>Name (Print): <u>DANA L. DELVENTHAL</u> Title: <u>AGENT</u><br>Signature: <u>Dana L. Delventhal</u> Date: <u>10/19/09</u><br>e-mail address: <u>Bill@MCKAYOILANDGAS.COM</u> Telephone: <u>(505) 296-5508</u>                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                                        |  |

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

OCD Representative Signature: *[Signature]* Approval Date: 10-20-09

Title: EnviroSpec OCD Permit Number: \_\_\_\_\_

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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: \_\_\_\_\_

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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

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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: \_\_\_\_\_

### **Closed-loop Design 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 fluid 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.
- 3) A frac tank will be on location to store fresh water.

### **Closed-loop Operating and Maintenance Plan:**

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

- 1) The liquids will be vacuumed out and disposed of at the Agua Moss Pretty Lady #1 facility (Disposal API Number 30-048-30922). Solids in the closed-loop tank will be vacuumed out and disposed of at Industrial Ecosystems (Permit Number NM-01-0010 B) on a periodic basis to prevent over topping.
- 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 rig operations 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 be enacted immediately.
- 4) All of the above operations will be inspected and a log will be signed and dated. During rig operations, the inspection will be daily.

### **Closed-loop Closure Plan:**

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 sludge to Industrial Ecosystems (Permit Number NM-01-0010 B) immediately following rig operations. All remaining liquids will be transported and disposed of in the Agua Moss Pretty Lady #1 (Disposal API Number 30-048-30922). 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.