

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.

|    |  |                                                                                                                                                                                      |                   |                             |                                                                             |
|----|--|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-----------------------------|-----------------------------------------------------------------------------|
| 1. |  | Operator: <u>HEP OIL GP, LLC</u>                                                                                                                                                     |                   | OGRID #: <u>269469</u>      | RCVD JUL 12 '10                                                             |
|    |  | Address: <u>P.O. BOX 1499 GAINESVILLE, TX 76241-1499</u>                                                                                                                             |                   | OIL CONS. DIV.              |                                                                             |
|    |  | Facility or well name: <u>HODGES #16</u>                                                                                                                                             |                   | DIST. 3                     |                                                                             |
|    |  | API Number: <u>30-045-24328</u>                                                                                                                                                      |                   | OCD Permit Number: _____    |                                                                             |
|    |  | U/L or Qtr/Qtr <u>L</u>                                                                                                                                                              | Section <u>21</u> | Township <u>26N</u>         | Range <u>8W</u> County: <u>SAN JUAN</u>                                     |
|    |  | Center of Proposed Design: Latitude <u>36.4704900</u>                                                                                                                                |                   | Longitude <u>-107.69254</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 |                   |                             |                                                                             |

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| 2. | <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                                                                                                                             |

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| 3. | <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                                             |

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| 4. | <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: _____                                                                              |

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| 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)                                                                                                                                               |
|    | <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>see attached plan</u> Disposal Facility Permit Number: _____                                                                                                                                                                                              |
|    | Disposal Facility Name: <u>see attached plan</u> 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?<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:                                                                                                                                                                                                |
|    | <input type="checkbox"/> Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC                                                                                                                                 |
|    | <input type="checkbox"/> Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC                                                                                                                                                            |
|    | <input type="checkbox"/> Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC                                                                                                                                                         |

|    |                                                                                                                                              |
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| 6. | <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>STEPHEN BEALL</u> Title: <u>PRODUCTION ENGINEER</u>                                                                         |
|    | Signature: <u>[Signature]</u> Date: <u>07/08/2010</u>                                                                                        |
|    | e-mail address: <u>sbeall@hepoilco.com</u> Telephone: <u>(940)665-4373</u>                                                                   |

# **HEP Oil GP, LLC**

## **Closed Loop System (No drying pads & off-site disposal)**

### **General Plan-Well Abandonment**

#### **Design Plan - 19.15.17.11(H) NMAC:**

In accordance with Rule 19.15.17.11 New Mexico Administrative Code (NMAC), HEP Oil GP, LLC proposed closed-loop system will not incorporate drying pads, temporary pits, below-grade tanks or a sump area. The main component of this system will consist of above-ground welded steel tanks or 'pits' suitable for holding well fluids, used for circulating and cementing operations, and the debris that is removed from the hole. The volume of the tank(s) will be sufficient as to allow gravity segregation of the debris from the fluids, yet still comply with free board requirements.

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

#### **Operations and Maintenance Plan - 19.15.17.12(A) NMAC:**

The closed-loop drilling systems will be operated and maintained to contain liquids and solids to prevent contamination of fresh water and protect public health and the environment. The following procedure will be followed:

1. The liquids and solids will be vacuumed from the steel 'pits' on an intermittent basis, so as to provide adequate free board and enough time for gravity segregation to occur. The well debris will be hauled to a permitted solid waste disposal site, either EnviroTech (Permit #NM01-0011) or Industrial Ecosystems Inc (Permit #NM01-0010B).
2. No hazardous wastes will be discharged into or stored in the steel 'pits' of the closed-loop system. Only fluids and debris used or generated during the well operations will be placed or stored in the tank.
3. In the event the closed-loop system develops a leak, HEP Oil GP, LLC personnel or their agent, will remove all liquids above the leak line immediately and notify the NM OCD Aztec District office with 48-Hours of the discovery. Repairs to the system will begin immediately.

#### **Closure Plan - 19.15.17.13(D) NMAC:**

This general plan as submitted by HEP Oil GP, LLC does not consider the use of drying pads and on-site burial of the well debris.

The steel 'pits' will be emptied of fluids and debris and disposed of at permitted division facilities. The fluids in the steel 'pits' will be disposed of at the Basin Disposal's SWD facility (Permit #NM-01-005).

Solids or other well debris will be vacuumed from the steel 'pits' and hauled to a solid waste disposal site, either EnviroTech (Permit #NM01-0011) or Industrial Ecosystems Inc (Permit #NM01-0010B).

Upon their emptying, the steel 'pits' will be hauled off of the well location back to the yard of the rental company from which these items were rented. At the time of well abandonment, the well site will be reclaimed, re-contoured and re-vegetated to as near original conditions as possible.