District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 S. First St., 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
Revised June 6, 2013

For temporary pits, below-grade tanks, and multi-well fluid management pits, submit to the appropriate NMOCD District Office.
For permanent pits submit to the Santa Fe Environmental Bureau office and provide a copy to the appropriate NMOCD District Office.

Pit, Below-Grade Tank, or Proposed Alternative Method Permit or Closure Plan Application

RECEIVED
MAR 24 2014
NMOCD ARTESIA

Type of action:
- ☐ Below grade tank registration
- ☒ Permit of a pit or proposed alternative method
- ☐ Closure of a pit, below-grade tank, or proposed alternative method
- ☐ Modification to an existing permit/or registration
- ☐ Closure plan only submitted for an existing permitted or non-permitted pit, below-grade tank, or proposed alternative method

Instructions: Please submit one application (Form C-144) per individual pit, below-grade tank or alternative request

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: JALAPENO CORPORATION OGRID #: 26307
Address: PO BOX 1608 ALBUQUERQUE, NM 87103
Facility or well name: Duncan Federal #11
API Number: 30-005-64211 OCD Permit Number: 2-13-0011
U/L or Qtr/Qtr M Section 7 Township 9S Range 28E County: CHAVES
Center of Proposed Design: Latitude 33.541928° N Longitude 104.134205° W NAD: ☒1927 ☐ 1983
Surface Owner: ☒ Federal ☐ State ☐ Private ☐ Tribal Trust or Indian Allotment

2.
☒ **Pit:** Subsection F, G or J of 19.15.17.11 NMAC
Temporary: ☒ Drilling ☐ Workover
☐ Permanent ☐ Emergency ☐ Cavitation ☐ P&A ☐ Multi-Well Fluid Management Low Chloride Drilling Fluid ☒ yes ☐ no
☒ Lined ☐ Unlined Liner type: Thickness 20 mil ☒ LLDPE ☐ HDPE ☐ PVC ☐ Other
☐ String-Reinforced
Liner Seams: ☒ Welded ☒ Factory ☐ Other Volume: bbl Dimensions: L 60 x W 15 x D 10

3.
☐ **Below-grade tank:** Subsection I of 19.15.17.11 NMAC
Volume: bbl Type of fluid:
Tank Construction material:
☐ Secondary containment with leak detection ☐ Visible sidewalls, liner, 6-inch lift and automatic overflow shut-off
☐ Visible sidewalls and liner ☐ Visible sidewalls only ☐ Other
Liner type: Thickness mil ☐ HDPE ☐ PVC ☐ Other

4.
☐ **Alternative Method:**
Submittal of an exception request is required. Exceptions must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.

5.
Fencing: Subsection D of 19.15.17.11 NMAC *(Applies to permanent pits, temporary pits, and below-grade tanks)*
☐ Chain link, six feet in height, two strands of barbed wire at top *(Required if located within 1000 feet of a permanent residence, school, hospital, institution or church)*
☒ Four foot height, four strands of barbed wire evenly spaced between one and four feet
☐ Alternate. Please specify

6.
Netting: Subsection E of 19.15.17.11 NMAC *(Applies to permanent pits and permanent open top tanks)*

☐ Screen ☐ Netting ☐ Other _____

☐ Monthly inspections (If netting or screening is not physically feasible)

7.
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 19.15.16.8 NMAC

8.
Variances and Exceptions:

Justifications and/or demonstrations of equivalency are required. Please refer to 19.15.17 NMAC for guidance.

Please check a box if one or more of the following is requested, if not leave blank:

☐ Variance(s): Requests must be submitted to the appropriate division district for consideration of approval.

☐ Exception(s): Requests must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.

9.
Siting Criteria (regarding permitting): 19.15.17.10 NMAC

Instructions: The applicant must demonstrate compliance for each siting criteria below in the application. Recommendations of acceptable source material are provided below. **Siting criteria does not apply to drying pads or above-grade tanks.**

General siting	
Ground water is less than 25 feet below the bottom of a low chloride temporary pit or below-grade tank. - ☐ NM Office of the State Engineer - iWATERS database search; ☐ USGS; ☐ Data obtained from nearby wells	☐ Yes ☒ No ☐ NA
Ground water is less than 50 feet below the bottom of a Temporary pit, permanent pit, or Multi-Well Fluid Management pit . NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	☐ Yes ☒ No ☐ NA
Within incorporated municipal boundaries or within a defined municipal fresh water well field covered under a municipal ordinance adopted pursuant to NMSA 1978, Section 3-27-3, as amended. **(Does not apply to below grade tanks)** - Written confirmation or verification from the municipality; Written approval obtained from the municipality	☐ Yes ☒ No
Within the area overlying a subsurface mine. **(Does not apply to below grade tanks)** - Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division	☐ Yes ☒ No
Within an unstable area. **(Does not apply to below grade tanks)** - Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources; USGS; NM Geological Society; Topographic map	☐ Yes ☒ No
Within a 100-year floodplain. **(Does not apply to below grade tanks)** - FEMA map	☐ Yes ☒ No
Below Grade Tanks	
Within 100 feet of a continuously flowing watercourse, significant watercourse, lake bed, sinkhole, wetland or playa lake (measured from the ordinary high-water mark). - Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within 200 horizontal feet of a spring or a fresh water well used for public or livestock consumption;. - NM Office of the State Engineer - iWATERS database search; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Temporary Pit using Low Chloride Drilling Fluid (maximum chloride content 15,000 mg/liter)	
Within 100 feet of a continuously flowing watercourse, or any other significant watercourse or within 200 feet of any lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). (Applies to low chloride temporary pits.) - Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Within 300 feet from a occupied permanent residence, school, hospital, institution, or church in existence at the time of initial application. - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☒ No
Within 200 horizontal feet of a spring or a private, domestic fresh water well used by less than five households for domestic or stock watering purposes, or 300feet of any other fresh water well or spring, in existence at the time of the initial application. NM Office of the State Engineer - iWATERS database search; Visual inspection (certification) of the proposed site	☐ Yes ☒ No

Within 100 feet of a wetland. - US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Temporary Pit Non-low chloride drilling fluid	
Within 300 feet of a continuously flowing watercourse, or any other significant watercourse, or within 200 feet of any lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). - Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within 300 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☐ No
Within 500 horizontal feet of a spring or a private, domestic fresh water well used by less than five households for domestic or stock watering purposes, or 1000 feet of any other fresh water well or spring, in the existence at the time of the initial application; - NM Office of the State Engineer - iWATERS database search; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within 300 feet of a wetland. - US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Permanent Pit or Multi-Well Fluid Management Pit	
Within 300 feet of a continuously flowing watercourse, or 200 feet of any other significant watercourse, or lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). - Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within 1000 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☐ No
Within 500 horizontal feet of a spring or a fresh water well used for domestic or stock watering purposes, in existence at the time of initial application. - NM Office of the State Engineer - iWATERS database search; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within 500 feet of a wetland. - US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☐ No

10.

Temporary Pits, Emergency Pits, and Below-grade Tanks 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.

☐ Hydrogeologic Report (Below-grade Tanks) - based upon the requirements of Paragraph (4) of Subsection B of 19.15.17.9 NMAC
☒ Hydrogeologic Data (Temporary and Emergency Pits) - based upon the requirements of Paragraph (2) of Subsection B of 19.15.17.9 NMAC
☒ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC
☒ 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 Boxes 14 through 18, if applicable) - 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: _____ or Permit Number: _____

11.

Multi-Well Fluid Management Pit 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
☐ A List of wells with approved application for permit to drill associated with the pit.
☐ Closure Plan (Please complete Boxes 14 through 18, if applicable) - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC
☐ Hydrogeologic Data - based upon the requirements of Paragraph (4) of Subsection B of 19.15.17.9 NMAC
☐ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC

☐ Previously Approved Design (attach copy of design) API Number: _____ or Permit Number: _____

12.
Permanent Pits Permit Application 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.

- ☐ Hydrogeologic Report - based upon the requirements of Paragraph (1) of Subsection B of 19.15.17.9 NMAC
- ☐ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC
- ☐ Climatological Factors Assessment
- ☐ Certified Engineering Design Plans - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Dike Protection and Structural Integrity Design - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Leak Detection Design - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Liner Specifications and Compatibility Assessment - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Quality Control/Quality Assurance Construction and Installation Plan
- ☐ Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC
- ☐ Freeboard and Overtopping Prevention Plan - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Nuisance or Hazardous Odors, including H_2S, Prevention Plan
- ☐ Emergency Response Plan
- ☐ Oil Field Waste Stream Characterization
- ☐ Monitoring and Inspection Plan
- ☐ Erosion Control Plan
- ☐ Closure Plan - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC

13.
Proposed Closure: 19.15.17.13 NMAC
Instructions: Please complete the applicable boxes, Boxes 14 through 18, in regards to the proposed closure plan.

Type: ☒ Drilling ☐ Workover ☐ Emergency ☐ Cavitation ☐ P&A ☐ Permanent Pit ☐ Below-grade Tank ☐ Multi-well Fluid Management Pit ☐ Alternative

Proposed Closure Method: ☐ Waste Excavation and Removal
☐ Waste Removal (Closed-loop systems only)
☒ On-site Closure Method (Only for temporary pits and closed-loop systems)
☒ In-place Burial ☐ On-site Trench Burial
☐ Alternative Closure Method

14.
Waste Excavation and Removal Closure Plan Checklist: (19.15.17.13 NMAC) ***Instructions: Each of the following items must be attached to the closure plan. Please indicate, by a check mark in the box, that the documents are attached.***

- ☐ Protocols and Procedures - based upon the appropriate requirements of 19.15.17.13 NMAC
- ☐ Confirmation Sampling Plan (if applicable) - based upon the appropriate requirements of Subsection C of 19.15.17.13 NMAC
- ☐ Disposal Facility Name and Permit Number (for liquids, drilling fluids and drill cuttings)
- ☐ 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 H of 19.15.17.13 NMAC
- ☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC

15.
Siting Criteria (regarding on-site closure methods only): 19.15.17.10 NMAC
Instructions: Each siting criteria requires a demonstration of compliance in the closure plan. Recommendations of acceptable source material are provided below. Requests regarding changes to certain siting criteria require justifications and/or demonstrations of equivalency. Please refer to 19.15.17.10 NMAC for guidance.

Ground water is less than 25 feet below the bottom of the buried waste. - NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	☐ Yes ☒ No ☐ NA
Ground water is between 25-50 feet below the bottom of the buried waste - NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	☐ Yes ☒ No ☐ NA
Ground water is more than 100 feet below the bottom of the buried waste. - NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	☒ Yes ☐ No ☐ NA
Within 100 feet of a continuously flowing watercourse, or 200 feet of any other significant watercourse, lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). - Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Within 300 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☒ No
Within 300 horizontal feet of a private, domestic fresh water well or spring used for domestic or stock watering purposes, in existence at the time of initial application. - NM Office of the State Engineer - iWATERS database; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Written confirmation or verification from the municipality; Written approval obtained from the municipality	☐ Yes ☐ No
Within 300 feet of a wetland. US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site	NA ☐ Yes ☒ No
Within incorporated municipal boundaries or within a defined municipal fresh water well field covered under a municipal ordinance	

adopted pursuant to NMSA 1978, Section 3-27-3, as amended. - Written confirmation or verification from the municipality; Written approval obtained from the municipality	☐ Yes ☐ No NA
Within the area overlying a subsurface mine. - Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division	☐ Yes ☒ No
Within an unstable area. - Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources; USGS; NM Geological Society; Topographic map	☐ Yes ☒ No
Within a 100-year floodplain. - FEMA map	☐ Yes ☒ No

16.
On-Site Closure Plan Checklist: (19.15.17.13 NMAC) ***Instructions: Each of the following items must be attached to the closure plan. Please indicate, by a check mark in the box, that the documents are attached.***

- ☒ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC
- ☒ Proof of Surface Owner Notice - based upon the appropriate requirements of Subsection E of 19.15.17.13 NMAC
- ☐ Construction/Design Plan of Burial Trench (if applicable) based upon the appropriate requirements of Subsection K of 19.15.17.11 NMAC
- ☒ Construction/Design Plan of Temporary Pit (for in-place burial of a drying pad) - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☒ Protocols and Procedures - based upon the appropriate requirements of 19.15.17.13 NMAC
- ☐ Confirmation Sampling Plan (if applicable) - based upon the appropriate requirements of 19.15.17.13 NMAC
- ☒ Waste Material Sampling Plan - based upon the appropriate requirements of 19.15.17.13 NMAC
- ☒ Disposal Facility Name and Permit Number (for liquids, drilling fluids and drill cuttings or in case on-site closure standards cannot be achieved)
- ☒ Soil Cover Design - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
- ☒ Re-vegetation Plan - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
- ☒ Site Reclamation Plan - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC

17.
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): H. Emmons Yates, III Title: Vice President

Signature: [signature] Date: March 20, 2014

e-mail address: eyates@jalapenocorp.com Telephone: 505-242-2050

18.
OCD Approval: ☒ Permit Application (including closure plan) ☐ Closure Plan (only) ☒ OCD Conditions (see attachment)

OCD Representative Signature: [signature] **Approval Date:** 5/22/14

Title: Environmental Spec **OCD Permit Number:** 2-13-0011

19.
Closure Report (required within 60 days of closure completion): 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:** _____

20.
Closure Method:

☐ Waste Excavation and Removal ☐ On-Site Closure Method ☐ Alternative Closure Method ☐ Waste Removal (Closed-loop systems only)

☐ If different from approved plan, please explain.

21.
Closure Report Attachment Checklist: ***Instructions: Each of the following items must be attached to the closure report. Please indicate, by a check mark in the box, that the documents are attached.***

- ☐ Proof of Closure Notice (surface owner and division)
- ☐ Proof of Deed Notice (required for on-site closure for private land only)
- ☐ Plot Plan (for on-site closures and temporary pits)
- ☐ Confirmation Sampling Analytical Results (if applicable)
- ☐ Waste Material Sampling Analytical Results (required for on-site closure)
- ☐ Disposal Facility Name and Permit Number
- ☐ Soil Backfilling and Cover Installation
- ☐ Re-vegetation Application Rates and Seeding Technique
- ☐ Site Reclamation (Photo Documentation)

On-site Closure Location: Latitude _____ Longitude _____ NAD: ☐ 1927 ☐ 1983

22.

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: _____

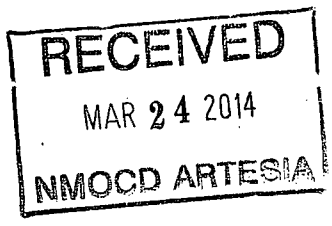
Signature: _____ Date: _____

e-mail address: _____ Telephone: _____

Jalapeño Corporation
P.O. Box 1608
Albuquerque, NM 87103-1608
Phone: (505) 242-2050 Fax: (505) 242-8501

March 20, 2014

Oil Conservation Division
District II
811 South First Street
Artesia, NM 88210



RE: Duncan Federal #11

Dear Sir or Madam:

Enclosed please find Form C-144 plus backup information for the Duncan Federal #11 well.

If you have any questions or need further information, you can contact me at the numbers listed above or by e-mail at jbarrack@jalapenocorp.com.

Sincerely,

Jun Barrack

Jun Barrack
Jalapeno Corporation
Oil and Gas Operations Associate

JALAPENO CORPORATION

DUNCAN FEDERAL #11

2195' FN L & 330' FW L
SECTION 7, T. 9-S, R. 28-E
CHAVES COUNTY, NEW MEXICO

OIL CONSERVATION DIVISION (OCD) - FORM C-144

A. SITING CITERIA (REGARDING PERMITTING)
(See page 2)

B. TEMPORARY PITS PERMIT APPLICATION ATTACHMENT CHECKLIST
(See pages 3-8)

1. **HYDROGEOLOGIC DATA**
(See page 3)

2. **TEMPORARY PIT DESIGN PLAN**
(See pages 3-4)

3. **OPERATING AND MAINTENANCE PLAN – Protocols and Procedures**
(See pages 4-5)

4. **CLOSURE PLAN**
(See pages 5-8) includes 3.Waste Materials Sampling Plan (page 5)
   a. SITE RECLAMATION PLAN
   (See page 6)
   b. SOIL COVER DESIGN
   (See pages 6-7)
   c. RE-VEGETATION
   (See page 7)
   d. STEEL MARKER FOR ON-SITE CLOSURE
   (See page 7)
   e. OTHER GENERAL REQUIREMENTS
   (See page 8)

C. EXHIBITS

Exhibit #1 – Duncan Federal #3 Daily Drilling Report
Exhibit #2 – Google Earth Map
Exhibit #3 – EMNRD MMD Active Mines Web Map
Exhibit #4 – Topography Map- Location Verification Map
Exhibit #5 – U.S. Fish and Wildlife Service- National Wetlands Inventory Map
Exhibit #6 – NM OSE Water Column/Average Depth to Water Data Sheet
Exhibit #7 – FEMA/FIRM Panel Map
Exhibit #8 – Pit Diagram

JALAPENO CORPORATION

DUNCAN FEDERAL #11

2195' FN L & 330' FW L
SECTION 7, T. 9-S, R. 28-E
CHAVES COUNTY, NEW MEXICO

FORM C-144 COMPLIANCE DEMONSTRATIONS:

9. SITING CRITERIA (REGARDING PERMITTING):

GENERAL SITING

Enclosed herewith are maps and documents to support siting criteria required by 19.15. 17.10 NMAC.

Attached is the first page of the Daily Drilling Report for the Duncan #3 which is located approximately 660ft Southwest of this proposed well location (See Exhibit #1) and was drilled with cable tools. The Duncan's drilling report shows that water was hit at approximately 185 feet which indicates the depth of the ground water for the Duncan Federal #11 should also be around 185 feet and would be more than 100 feet below bottom of the low chloride temporary pit.

This well site is outside any municipal boundaries and so there is no defined municipal fresh water field covered under a municipal ordinance adopted pursuant to NMSA 1978, Section 3-27-3, as amended, within proposed well site (See Exhibit #2 & #5).

The well site is not within the area overlying a subsurface mine (See Exhibit #3) or within an unstable area (See Exhibit #4). Upon examination of the FEMA website, we found that a FIRM Panel was not printed for the proposed Duncan Federal #11 drill site (See Exhibit #7). Therefore we cannot verify that this well site is not within a 100-Year Flood Plain. However, because our well, the Duncan #3, is 660 feet away and is not within a flood plan, we believe with a high level of certainty the location for the Duncan Fed #11 is not in a flood plan of any sort.

TEMPORARY PIT USING LOW CHLORIDE DRILLING FLUID (maximum chloride content 15,000 mg/liter).

From our site inspection of the location and various maps, there are no continuously flowing watercourse, or any other significant watercourse within 100 feet or any significant watercourse lakebeds, sinkhole or playa lakes within 200 feet of the site (See Exhibits #2, 4 & 5).

There are no occupied permanent residences, school, hospitals, institutions or churches in existence within 300 feet of well site (See Exhibit # 2 & #4).

From the New Mexico Office of the State Engineer database and visual inspection there are no springs or private, domestic fresh water wells used by less than five household for domestic or stock watering purposes within 200 horizontal feet of the well site, and there are no of any other fresh water wells or springs within 300 feet of the site. The closest water well appears to be approximately 5 miles away (Exhibit #6).

The well site is not within 300 feet of a wetland (See Exhibit #5).

H. Emmons Yates, III

March 20, 2014
Date

JALAPENO CORPORATION

DUNCAN FEDERAL #11

2195' FN L & 330' FW L
SECTION 7, T. 9-S, R. 28-E
CHAVES COUNTY, NEW MEXICO

10. TEMPORARY PITS PERMIT APPLICATION ATTACHMENT CHECKLIST: Subsection B of 19.15.17.9 NMAC

☒ **HYDROGEOLOGIC DATA:**
The hydrogeologic data below provides information and detail on the site's topography, soils, geology, surface hydrology and ground water hydrology in compliance with the siting criteria of 19.15.17.10 NMAC.

1. Topography: Flat well site.(See Exhibits #2&#4).

2. Soils: Soil near the well site is mostly fine sand with some gravel (See Exhibit #2).

3. Surface Hydrology (Ponds & Streams): There are no nearby streams or ponds. The closest surface water is White Tank which is approximately 3,000 ft Northeast from the proposed well (See Exhibit #2 &# 5).

4. Ground water Hydrology: According to the NM OSE Website, the nearest water well appears to be approximately 5 miles away (Exhibit #6).

☒ **TEMPORARY PIT DESIGN PLAN:**

1. We will design and construct a pit to contain liquids and solids; prevent contamination of fresh water; and protect public health and the environment.

2. Prior to constructing a pit, we will strip and stockpile the topsoil for use as the final cover or fill at the time of closure.

3. The temporary pit will have a properly constructed foundation and interior slopes consisting of a firm, unyielding base, smooth and free of rocks, debris, sharp edges, or irregularities to prevent ruptures or tears in the liner. We will construct a temporary pit so that the slopes are no steeper than two horizontal feet to one vertical foot (2H:1V).

4. We will design and construct a temporary pit with a geomembrane liner. The geomembrane liner will consist of 20- mil string reinforced LLDPE or equivalent liner material that the appropriate division district office approves. The geomembrane liner shall be composed of an impervious, synthetic material that is resistant to petroleum hydrocarbons, salts and acidic and alkaline solutions. The liner material shall be resistant to ultraviolet light. Liner compatibility shall comply with EPA SW-846 Method 9090A.

5. We minimize liner seams and orient them up and down, not across, a slope and shall avoid excessive stress-strain on the liner. We will use factory welded seams where possible. Prior to field seaming, we will overlap liners four to six inches. We will minimize the number of field

seams in corners and irregularly shaped areas. Qualified personnel shall field weld and test liner seams.

6. We will use Geotexile under the liner where it is needed to reduce localized stress-strain or protuberances that may otherwise compromise the liner's integrity.

7. We will anchor the edges of all liners in the bottom of a compacted earth-filled trench. The anchor trench shall be at least 18 inches deep, unless anchoring to encountered bedrock provides equivalent anchoring.

8. We will ensure that the liner is protected from any fluid force or mechanical damage at any point of discharge into or suction from the lined temporary pit.

9. We will design and construct a temporary pit to prevent run-on of surface water. A berm, ditch, proper sloping or other diversion shall surround the temporary pit to prevent run-on of surface water.

10. The volume of a temporary pit shall not exceed 10 acre feet, including freeboard.

11. We will not allow freestanding liquids to remain on the unlined portion of a temporary pit used to vent or flare gas.

☒ **OPERATING AND MAINTENANCE PLAN - Protocols and Procedures**

1. We will operate and maintain a pit to contain liquids and solids and maintain the integrity of the liner, liner system or secondary containment system, prevent contamination of fresh water and protect public health and the environment.

2. We will recycle, reuse, reclaim or dispose of all drilling fluids in a manner consistent with division rules.

3. We will not discharge into or store any hazardous waste in a pit.

4. If the pit liner's integrity is compromised above the liquid's surface, we will repair the damage or initiate replacement of the liner within 48 hours of discovery or seek a variance from the appropriate division district office.

5. If the pit develops a leak, or if any penetration of the pit liner occurs below the liquid's surface, we will remove all liquid above the damage or leak within 48 hours of discovery, notify the appropriate division office pursuant to 19.15.29 NMAC and repair the damage or replace the pit liner as applicable.

6. The injection or withdrawal of liquids from a pit shall be accomplished through a header, diverter or other hardware that prevents damage to the liner by erosion, fluid jets or impact from installation and removal of hoses or pipes.

7. We will operate and install the pit to prevent the collection of surface water run-on.

8. We will install, or maintain on site, an oil absorbent boom or other device to contain an unanticipated release.

9. Only fluids or mineral solids generated or used during the drilling will be discharged into a temporary pit. We will maintain a temporary pit free of miscellaneous solid waste or debris. Immediately after cessation of a drilling operation, we will remove any visible layer of oil from the surface of the pit.

10. We will maintain at least two feet of freeboard for a temporary pit.

11. We will inspect a temporary pit containing drilling fluids at least daily while the drilling rig is on location. Thereafter, we will inspect the temporary pit weekly so long as liquids remain in the temporary pit. We will maintain a log of such inspections and make the log available for the appropriate division district office's review upon request.

12. We will remove all free liquids from the surface of a temporary pit within 60 days from the date that the operator releases the last drilling rig associated with the relevant pit permit. We will note the date of the drilling rig's release on form C-105 or C-103 upon well completion.

☒ CLOSURE PLAN:

1. When closing a temporary pit we will stabilize or solidify the remaining temporary pit contents with soil or other non-waste material at a ratio of no more than 3:1 soil to a capacity sufficient to support the final cover of the temporary pit.

2. The waste mixture must pass the paint filter liquids test (EPS SW-846, Method 9095 or other test methods approved by the division).

3. After the waste has been solidified or stabilized stabilization, a five-point composite sample will be collected and tested from content of the pit in accordance to OCD's rules and regulations to determine if the specified concentrations for in-place burial of temporary pit are met or, if the specified concentrations for in-place closure of temporary pit are exceeded.

4. Waste Material Sampling Plan: Since the ground water will be more than 100 feet below the bottom of the buried waste, we will follow the parameters listed in Table II of 19.15.17.13 NMAC. We will collect, at a minimum, a five point composite sample of the contents of the temporary pit after treatment or stabilization to demonstrate that Benzene, as determined by EPA SW-846

method 8021B or 8015M, does not exceed 10 mg/kg; BTEX, as determined by EPA SW-846 method 8021B or 8260B, does not exceed 50 mg/kg; the GRO and DRO combined fraction, as determined by EPA SW-846 method 8015M, does not exceed 1,000 mg/kg; TPH, as determined by EPA method 418.1 or other EPA method that the division approves, does not exceed 2500 mg/kg; and Chloride, as determined by EPA method 300.0, does not exceed 80000 mg/kg.

5. The test results will be sent to the District Office.

6. If, after appropriate stabilization, the concentrations of all contaminants in the contents from a temporary pit less than or equal the parameters listed above in #3 from Table II of 19.15.17.13 NMAC, we will proceed to dispose of wastes in the existing temporary pit.

7. If the concentration of any contaminant in the contents, after mixing with soil or non-waste material to a maximum ratio of 3:1, from a temporary pit is higher than constituent concentrations shown in Table II of 19.15.17.13 NMAC, we will have all unused stimulation liquids and the disposition of liner materials and other pit contents removed to an OCD approved disposal facility in lieu of any on-site closure in accordance with Subsection C of 19.15.17.13 NMAC.

   Disposal Facility Name: Gandy Marley Landfarm
   Disposal Facility Permit Number: NM 711-01-0019

8. Upon achieving all applicable waste stabilization in the temporary pit, we will fold the outer edges of the liner to overlap the waste material in the pit/trench prior to the installation of the geomembrane cover and install a geomembrane cover over the waste material in the temporary pit; we will install the geomembrane cover in a manner that prevents the collection of infiltration water in the temporary pit and on the geomembrane cover after the soil cover is in place. The geomembrane cover shall consist of a 20-mil string reinforced LLDPE liner or equivalent cover that the appropriate division district office approves. The geomembrane cover shall be composed of an impervious, synthetic material that is resistant to petroleum hydrocarbons, salts and acidic and alkaline solutions; cover compatibility shall comply with EPA SW-846 Method 9090A.

Site Reclamation Plan

1. Once we have closed a pit we shall reclaim the pit location and all areas associated with the pit to a safe and stable condition that blends with the surrounding undisturbed area. We shall substantially restore the impacted surface area to the condition that existed prior to oil and gas operations by placement of the soil cover as provided in soil cover designs below, recontour the location and associated areas to a contour that approximates the original contour and blends with the surrounding topography and re-vegetate according to re-vegetation below.

2. Areas reasonably needed for production operations or for subsequent drilling operations shall be compacted, covered, paved, or otherwise stabilized and maintained in such a way as to minimize dust and erosion to the extent practicable.

3. All other areas disturbed by the closure of pits shall be reclaimed as early and as nearly as practicable to their original condition or their final land use and shall be maintained to control dust and minimize erosion to the extent practicable.

Soil Cover Design

1. The soil cover for burial in-place pit will consist of a minimum of four feet of non-waste containing, uncontaminated, earthen material with chloride concentrations less than 600 mg/kg as analyzed by EPA Method 300.0. The soil cover shall include either the background thickness of topsoil or one foot of suitable material to establish vegetation at the site, whichever is greater. The operator shall construct the soil cover to the site's existing grade and prevent pooling of water and erosion of the cover material.

2. Topsoils and subsoils will be replaced to their original relative positions and contoured so as to achieve erosion control, long-term stability and preservation of surface water flow patterns.

Re-vegetation

1. The disturbed area then shall be reseeded in the first favorable growing season following closure of a pit.

2. We shall accomplish seeding by drilling on the contour whenever practical or by other division-approved methods. We shall obtain a uniform vegetative that reflects a life-form ratio of plus or minus fifty percent (50%) of pre-disturbance levels and a total percent plant cover of at least seventy percent (70%) of pre-disturbance levels, excluding noxious weeds and maintain that cover through two successive growing seasons. During the two growing seasons that prove viability, there shall be no artificial irrigation of the vegetation.

3. We shall notify the division when location has been seeded or planted and when this area has successfully achieves re-vegetation. We shall repeat seeding or planting until it successfully achieves the required vegetative cover.

Steel Marker for On-Site Closure

1. A steel marker will be place at the center of the on-site burial location and we will file a C-105 within 60 days of closing the temporary pit with our closure report with the OCD division office stating the exact location of the on-site burial. The steel marker shall be not less than four inches in diameter and shall be cemented in a three-foot deep hole at a minimum. The steel marker shall extend at least four feet above mean ground level and at least three feet below ground level. The operator name, lease name and well number and location, including unit letter, section, township and range, and that the marker designates an on-site burial location shall be welded, stamped or otherwise permanently engraved into the metal of the steel marker.

2. No permanent structures will be built over the onsite burial without the appropriate division district office's written approval. Nor will the onsite burial marker be removed without the division's written permission.

3. We will also file a deed notice identifying the exact location of the on-site burial with the Otero County Clerk.

Other General Requirements:

1. Once construction of the pit has been scheduled, we will notify the NMOCD District #2 Office of the anticipated construction date.

2. We will not implement closure procedures until we get approval from the OCD District Office.

3. We will close a permitted temporary pit within six months from the date that we release the drilling rig. We will note the date of the drilling release on form C-105 or C-103, filed with the division, upon the well's completion.

4. We will notify the surface owner by certified mail, return receipt requested (at the address of the surface owner shown in the Otero county tax records) of our onsite closure operations at least 72 hours, but not more than one week, prior to any closure operation.

5. We will notify the appropriate division district office verbally and in writing at least 72 hours, but not more than one week, of our onsite closure operations. The notice shall include the operator's name, well name, API number and location. A copy of the notice will be included in the Closure report.

6. Within 60 days of closure completion, we shall submit a closure report on form C-144, with necessary attachments to document all closure activities including sampling results; information required by 19.15.17 NMAC; pit log and details on back-filling, capping and covering, where applicable. In the closure report, we will certify that all information in the report and attachments is correct and that the operator has complied with all applicable closure requirements and conditions specified in the approved closure plan. We will provide a plat of the pit location on form C-l 05 within 60 days of closing the temporary pit.

7. The Pit will not be considered closed until NMOCD receives notification as required by [19.15.17.H(5)]

EXHIBIT #1

Jalapeño Corporation
Duncan Federal #3
Sec. 07, T-09S,R-28E,Chaves County, New Mexico
Federal Lease # NM-12557

WEEKLY DRILLING REPORT

7/2/03: Dirt moving equipment moved in (Shull Oil Field Services) to begin construction of road, as required by the BLM, and of location.

7/4/03: Leveled location.

7/5-6/03: Shut down for weekend.

7/7/03: Hauled material to surface road

7/8/03: Stockpiled

7/9/03: Began surfacing

7/10-15/03: Construction of location and road to BLM specifications

7/16/03: Shut down. Waiting on rig.

11/8/03: Spudded the well at noon. Rig was hot; found bird nest in radiator.

11/9/03: Sunday - off

11/10/03: Radiator cleaned out, Drilled to 70' today.

11/11/03: Drilled to 100'. Had to rock back to 75'.

11/12/03: Drilling gravel.

11/13/03: Drilled to 130'. Drilling difficult.

11/14/03: Hole went crooked. Had to fill & ream a couple of times.

11/15/03: Hole went crooked. Had to fill & ream a couple of times.

11/16/03: Still reaming.

11/17/03: Changed to 16" bit. (had been using 12 1/2"). Reached 140' -- 20' off bottom. Still reaming.

11/18/03: Still reaming.

11/19/03: Back to drilling. Drilled to 155'.

11/20/03: By 10:30 drilled to 185'. Part was sandstone; seems to be fairly straight now.

11/21/03: Drilled to 215'. Have surface water at about 185' to 205' that came in at red sandstone. Producing about 12 gallons of fresh water per minute. Has 50' of water in the hole.

EXHIBIT #2

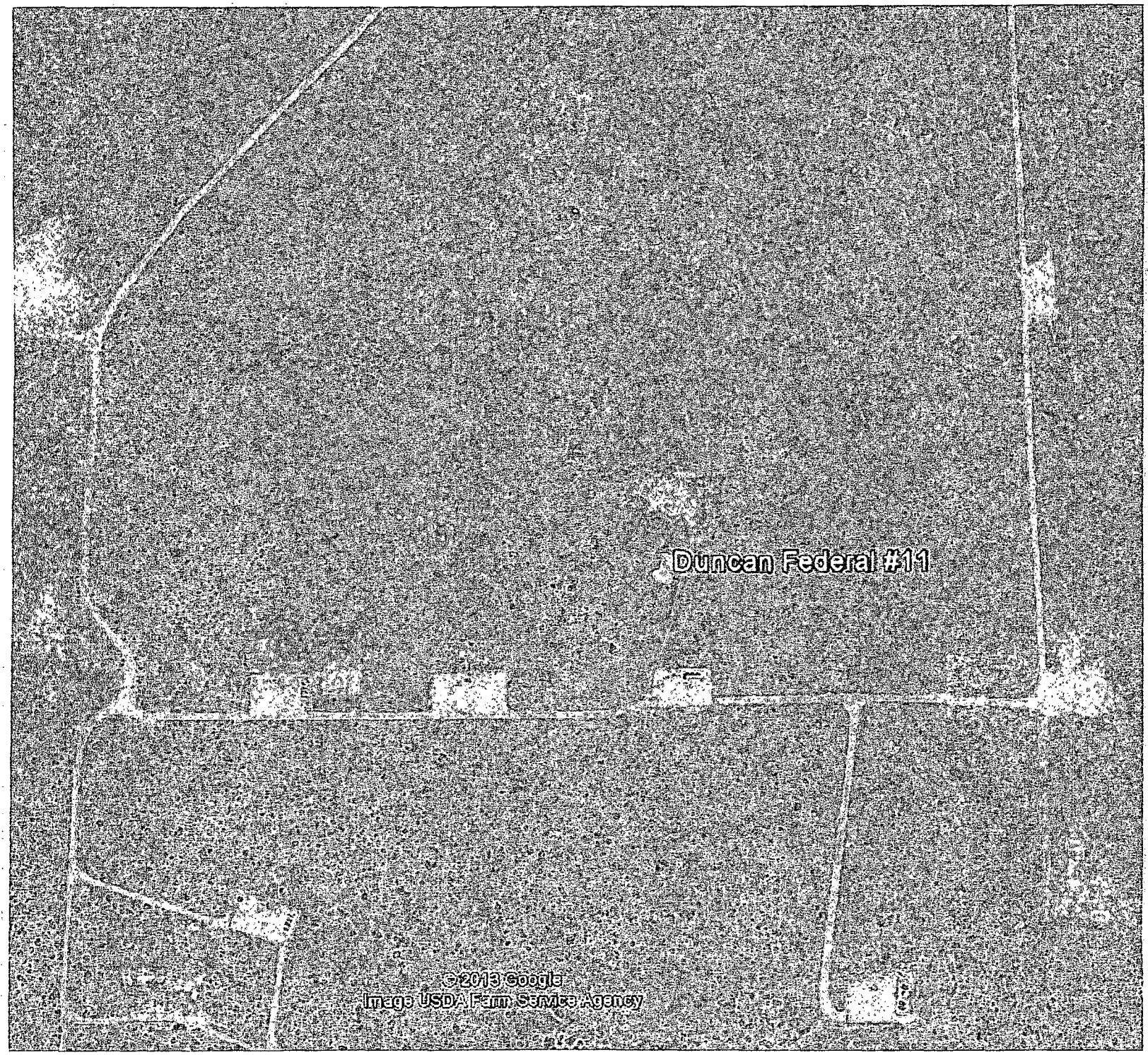
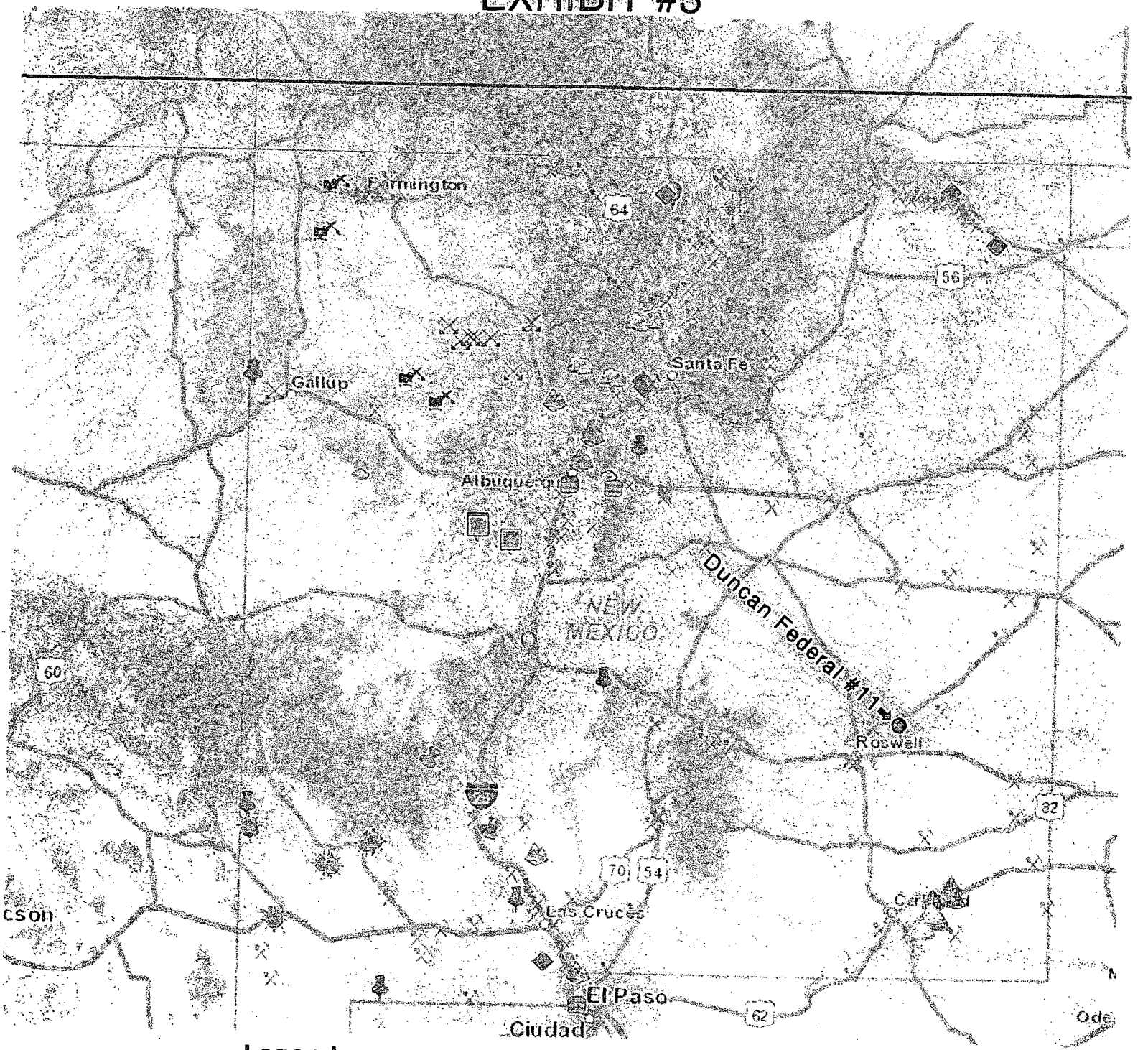

Duncan Federal #11
© 2013 Google
Image USDA Farm Service Agency

EXHIBIT #3

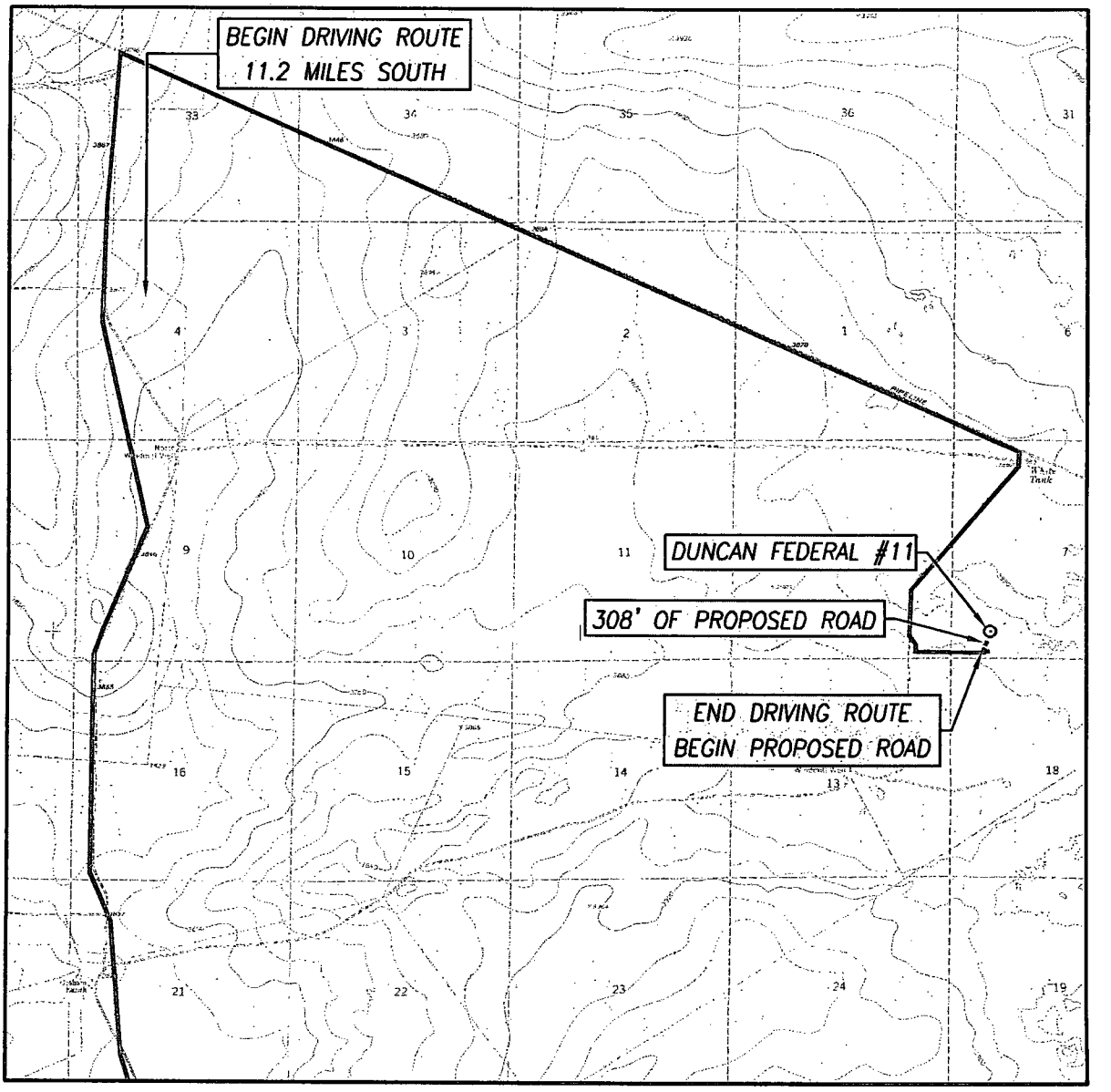


Legend

- Aggregates Etc.
- Clay & Shale / Brick
- Coal
- Gypsum
- Humate
- Limestone
- Metals
- Other
- Perlite
- Potash
- Pumice
- Salt
- Scoria
- Travertine
- Zeolites

Exhibit #4

LOCATION VERIFICATION MAP



SCALE: 1" = 4000'

CONTOUR INTERVAL:
CAMPBELL, N.M. - 10'

SEC. 7 TWP. 9-S RGE. 28-E

SURVEY N.M.P.M.

COUNTY CHAVES STATE NEW MEXICO

DESCRIPTION 660' FSL & 990' FWL

ELEVATION 3886'

OPERATOR JALAPENO CORPORATION

LEASE DUNCAN FEDERAL

U.S.G.S. TOPOGRAPHIC MAP
CAMPBELL, N.M.

DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF ST. HIGHWAY #380 AND COUNTY ROAD #51 (PONDEROSA RD.) GO NORTH ON CO. RD. #51 APPROX 11.2 MILES; TURN RIGHT AND GO SOUTHEAST APPROX. 4.45 MILES; TURN RIGHT AND GO SOUTH APPROX 0.1 MILES; ROAD BENDS RIGHT AND GOES SOUTHWEST APPROX 0.75 MILES; ROAD BENDS LEFT AND GOES SOUTH APPROX. 0.25 MILES TO A P & A LOCATION; TURN LEFT AND GO EAST APPROX. 0.4 MILES TO A PROPOSED ACCESS ROAD. FOLLOW STAKED ROAD NORTH 308 TO THE SOUTHWEST PAD CORNER.

PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(575) 393-3117 www.jwsc.biz

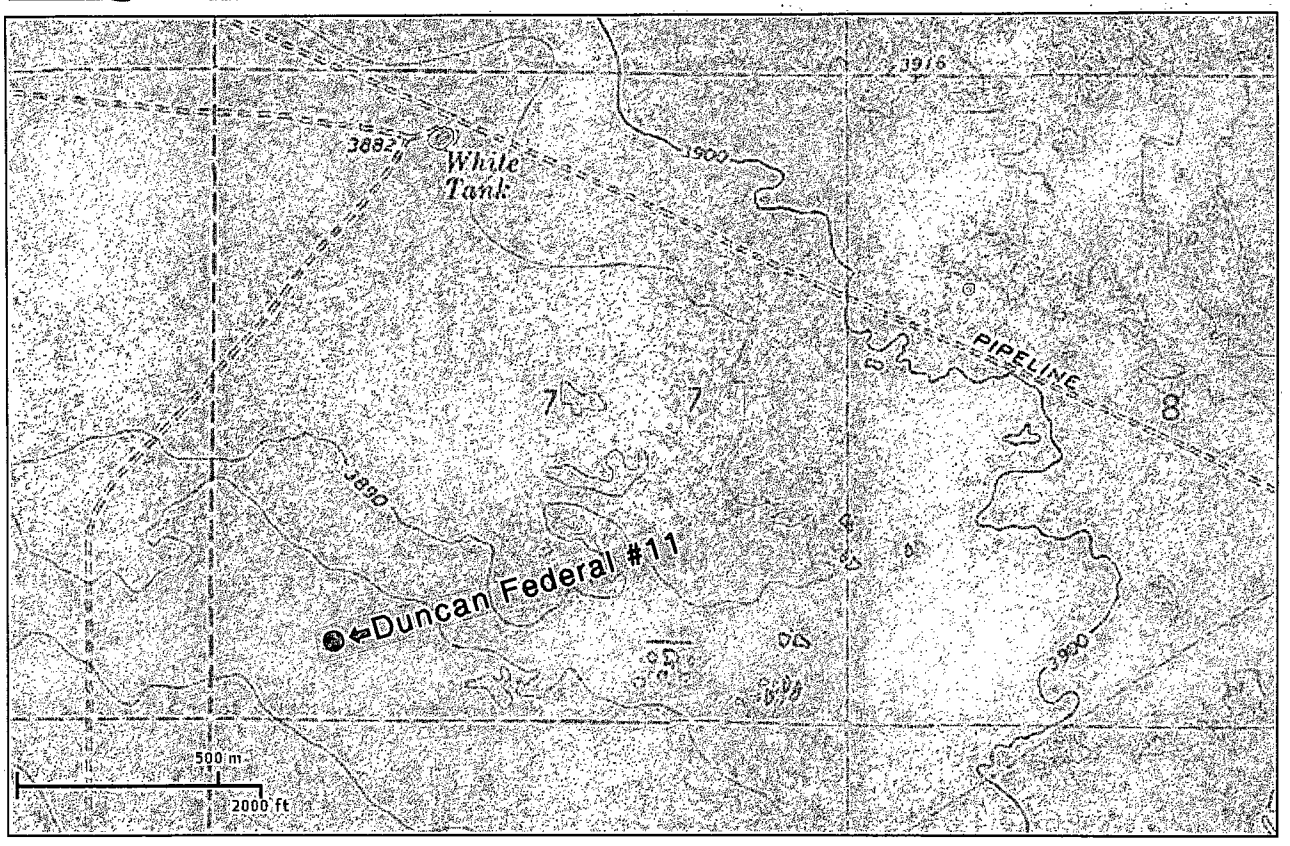
EXHIBIT #5

U.S. Fish and Wildlife Service

National Wetlands Inventory

Duncan Federal #11

Mar 6, 2014



Wetlands

- Freshwater Emergent
- Freshwater Forested/Shrub
- Estuarine and Marine Deepwater
- Estuarine and Marine
- Freshwater Pond
- Lake
- Riverine
- Other

This map is for general reference only. The US Fish and Wildlife Service is not responsible for the accuracy or currentness of the base data shown on this map. All wetlands related data should be used in accordance with the layer metadata found on the Wetlands Mapper web site.

User Remarks:

33.541.928'N 104.13405

EXHIBIT #6

New Mexico Office of the State Engineer
Water Column/Average Depth to Water

(A CLW##### in the POD suffix indicates the POD has been replaced & no longer serves a water right file.)

(R=POD has been replaced, O=orphaned, C=the file is closed)

(quarters are 1=NW 2=NE 3=SW 4=SE)
(quarters are smallest to largest) (NAD83 UTM in meters) (In feet)

POD Number	POD Sub-Code	basin	County	Q 64	Q 16	Q 4	Sec	Tws	Rng	X	Y	Distance	Depth Well	Depth Water	Water Column
RA 09732			CH	1	22		08S	28E		585283	3719179*	8181	922	600	322

Average Depth to Water: **600 feet**

Minimum Depth: **600 feet**

Maximum Depth: **600 feet**

Record Count: 1

UTMNAD83 Radius Search (in meters):

Easting (X): 580859 **Northing (Y):** 3712297 **Radius:** 8200

***UTM location was derived from PLSS - see Help**

EXHIBIT #7

Map Search

Enter an address or place:

33.541928, -104.134205

Use the select tool to choose a location or area of interest.

Base Map: Road Map

Product Type: Flood Maps

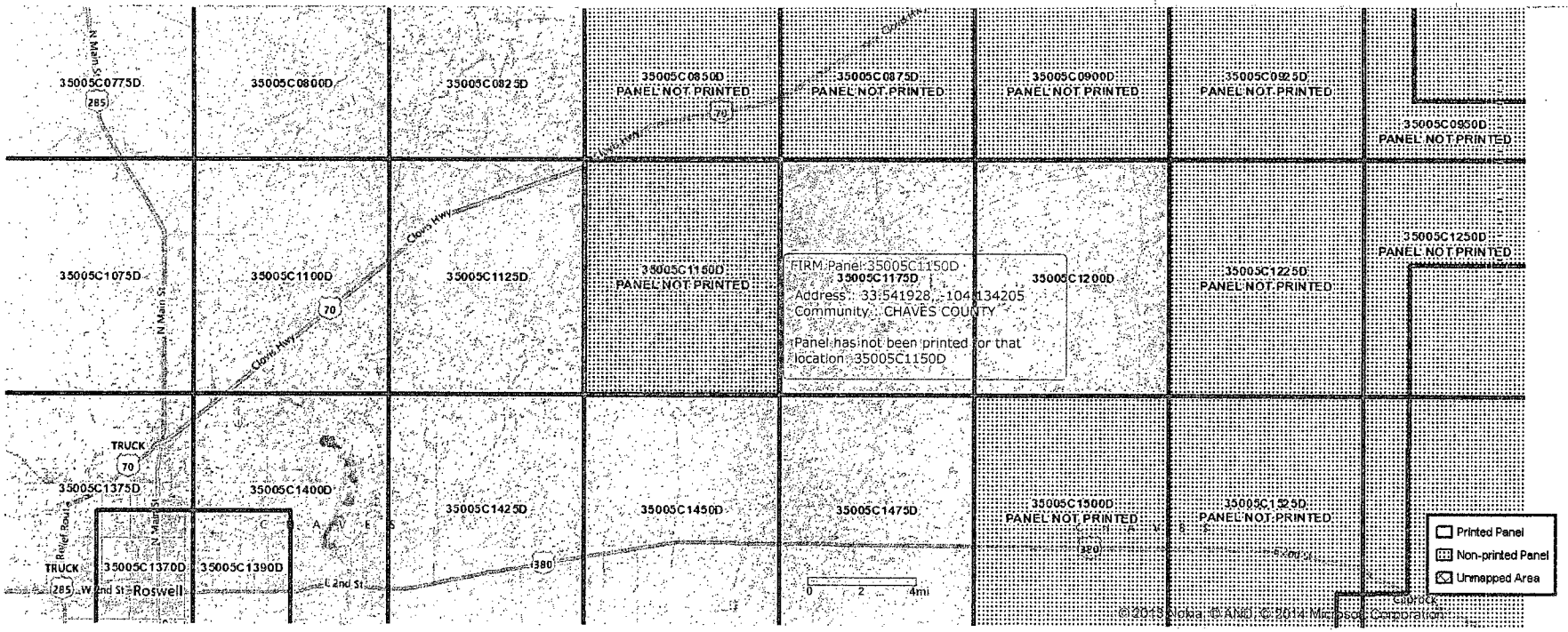
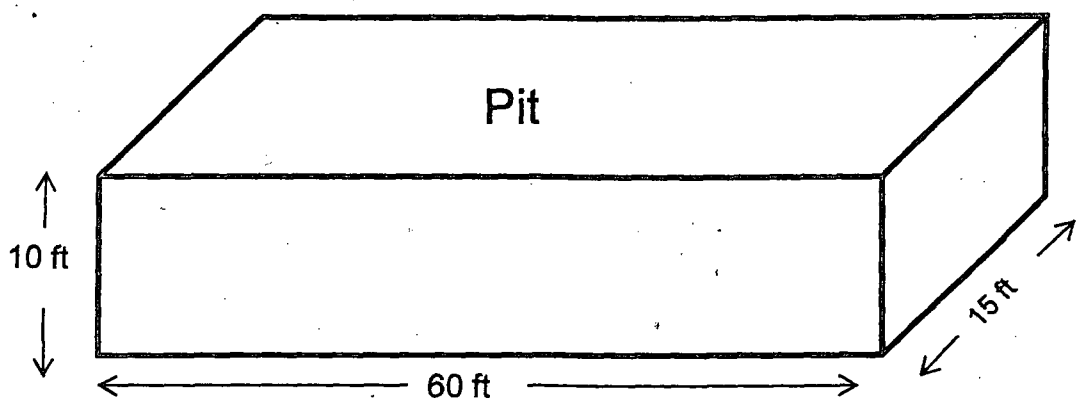


EXHIBIT #8

JALAPENO CORPORATION



*NOT TO SCALE