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
July 21, 2008

For temporary pits, closed-loop systems, and below-grade tanks, submit to the appropriate NMOCD District Office.
For permanent pits and exceptions submit to the Santa Fe Environmental Bureau office and provide a copy to the appropriate NMOCD District Office.

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

AUG 12 2008
OCD-ARTESIA

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

Instructions: Please submit one application (Form C-144) per individual pit, closed-loop system, 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 #:
Address: **P.O BOX 1608; ALBUQUERQUE, NEW MEXICO 87103**
Facility or well name: **PAISANO FEDERAL NO. 1**
API Number: **30-005-63840** OCD Permit Number:
U/L or Qtr/Qtr **P** Section **12** Township **9-S** Range **27-E** County: **CHAVES**
Center of Proposed Design: Latitude **33 °32'27.75" N** Longitude **104°08' 18.75" W** NAD: ☐1927 ☐ 1983
Surface Owner: ☒ Federal ☐ State ☐ Private ☐ Tribal Trust or Indian Allotment

2.
☐ **Pit:** Subsection F or G of 19.15.17.11 NMAC
Temporary ☐ Drilling ☐ Workover
☐ Permanent ☐ Emergency ☐ Cavitation ☐ P&A
☐ Lined ☐ Unlined Liner type: Thickness mil ☐ LLDPE ☐ HDPE ☐ PVC ☐ Other
☐ String-Reinforced
Liner Seams: ☐ Welded ☐ Factory ☐ Other Volume: bbl Dimensions: L x W x D

3
☐ **Closed-loop System:** Subsection H of 19.15.17.11 NMAC
Type of Operation: ☐ P&A ☐ Drilling a new well ☐ Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent)
☐ Drying Pad ☐ Above Ground Steel Tanks ☐ Haul-off Bins ☐ Other
☐ Lined ☐ Unlined Liner type: Thickness mil ☐ LLDPE ☐ HDPE ☐ PVC ☐ Other
Liner Seams: ☐ Welded ☐ Factory ☐ Other

4
☐ **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

5
☐ **Alternative Method:**
Submittal of an exception request is required. Exceptions must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.

Fencing: Subsection D of 19.15.17.11 NMAC *(Applies to permanent pits, temporary pits, and below-grade tanks)*

☐ Cattle-sized fence, 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-high, four strands of barbed wire evenly spaced between one and four feet

☐ Alternate. Please specify

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)

Signs: Subsection C of 19.15.17.11 NMAC

☐ 12" x 24" sign, legibly identifying and providing Operator's name, site location, and emergency telephone numbers

☐ Signed in compliance with 19.15.16.8 NMAC

Administrative Approvals and Exceptions:
Justification and documentation 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:

☐ Administrative approval(s). Requests must be submitted to the appropriate division district or the Santa Fe Environmental Bureau office for consideration of approval.

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

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. Requests regarding changes to certain siting criteria may require administrative approval from the appropriate district office or may be considered an exception which must be submitted to the Santa Fe Environmental Bureau office for consideration of approval. Applicant must attach justification for request. Please refer to 19.15.17.10 NMAC for guidance.*** **Siting criteria does not apply to drying pads or above-grade tanks associated with a closed-loop system.**

Groundwater less than 50 feet below the bottom of the temporary pit, permanent pit or below-grade tank. NM Office of the State Engineer iWATERS database search; USGS; Data obtained from nearby wells	☐ Yes ☐ No
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 300 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application *(Applies to temporary, emergency, or exploration pits and below-grade tanks)* Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☐ No ☐ NA
Within 1000 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. *(Applies to permanent pits)* Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☐ No ☐ NA
Within 500 horizontal feet of a private domestic fresh water well or spring that less than five household use for domestic or stock watering purposes, or within 1000 horizontal feet of any other fresh water well or spring, 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 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
Within 500 feet of a wetland - US Fish and Wildlife Wetlands Identification map; Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within an 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

11.

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 _____

12.

Closed-loop Systems Permit Application Attachment Checklist: Subsection B of 19.15.17.9 NMAC

Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.

- ☐ Geologic and Hydrogeologic Data (only for on-site closure) - based upon the requirements of Paragraph (2) of Subsection B of 19.15.17.9
- ☐ Siting Criteria Compliance Demonstrations (only for on-site closure) - 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 _____

☐ Previously Approved Operating and Maintenance Plan API Number _____ *(Applies only to the closed-loop system that will use above ground steel tanks or haul-off bins and propose to implement waste removal for closure)*

13.

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 (5) 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 H2S, 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

14.

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 ☐ Closed-loop System ☐ 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 (Exceptions must be submitted to the Santa Fe Environmental Bureau for consideration)

15.

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 F 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 I of 19.15.17.13 NMAC
- ☒ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only: (19.15.17.13 D NMAC)
Instructions: Please indentify 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: | Disposal Facility Permit Number:

Disposal Facility Name: | 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?
☐ Yes (If yes, please provide the information below) ☐ No

Required for impacted areas which will not be used for future service and operations.
☐ Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
☐ Revegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC
☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

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 may require administrative approval from the appropriate district office or may be considered an exception which must be submitted to the Santa Fe Environmental Bureau office for consideration of approval. Justifications and/or demonstrations of equivalency are required. Please refer to 19.15.17.10 NMAC for guidance.

Ground water less than 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 between 50 and 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
Ground water is more than 100 feet below the bottom of the buried waste NM Office of the State Engineer - iWATERS data base search; USGS; Data obtained from nearby wells	☐ Yes ☐ No ☐ NA
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 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 private domestic fresh water well or spring that serves less than five households for domestic or stock watering purposes, or within 1000 horizontal feet of any other fresh water well or spring, 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
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
Within 500 feet of a wetland US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
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. FIRM map	☐ Yes ☐ No

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 F of 19.15.17.13 NMAC
☐ Construction/Design Plan of Burial Trench (if applicable) based upon the appropriate requirements 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 Subsection F of 19.15.17.13 NMAC
☐ Waste Material Sampling Plan - based upon the appropriate requirements of Subsection F 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 I of 19.15.17.13 NMAC
☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

19.
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): **HARVEY E. YATES, JR.** Title: **PRESIDENT**

Jalapeno Corporation

Signature: by [signature] Date: **8/6/08**

e-mail address: Telephone: **505-242-2050**

20.
OCD Approval: ☐ Permit Application (including closure plan) ☒ Closure Plan (only) ☐ OCD Conditions (see attachment)

OCD Representative Signature: Signed By [signature] **Approval Date:** AUG 12 2008

Title: Field Supervisor **OCD Permit Number:** N/A

21.
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:**

22.
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.

23.
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

24.
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)
☐ 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

25.
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): **HARVEY E. YATES, JR.** Title: **PRESIDENT**

Jalapeno Corporation

Signature: by Date:

e-mail address: Telephone:

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

August 7, 2008

Mike Bratcher
Oil Conservation Division
1301 W. Grande Avenue
Artesia, NM 88210

RE: Paisano Federal #1
Well API NO. 30-005-63840
S.12, T. 9-S, R. 27-E
Chaves County, NM

Dear Mr. Bratcher:

Enclosed, please find the completed OCD's recently revised Form C-144 to close the pit for the Paisano Federal #1. Along with the form, you will find the following documentation:

1. Waste Excavation & Removal Closure Plan Checklist
2. Documentation showing depth of surrounding ground water level.
3. BLM's Desired Plant Community seed mixture.
4. Previously sent Form C-144 for pit closure plus plot plan

A copy of this information will also be sent to the BLM office in Roswell.

On Form C-144 you will note that several sections are not filled out. These sections do not relate to this type of pit closure and I understand from my conversations with Brad Adams, of the Santa Fe OCD office, and the training I received in Hobbs from him, that these sections would not have to be filled out under these circumstances.

I believe we have met all of the Form C-144 requirements, if we have not or further information is needed, please contact our office at the numbers listed above.

Yours truly,

Jun Barrack

Jun Barrack

15.

Waste Excavation and Removal Closure Plan Checklist: (19.15.17.13 NMAC)

☒ **Protocols and Procedures - based upon the appropriate requirements of 19.15.17.13 NMAC**

SITING CRITERIA-19.15.17.10:

In accordance with Subsection A of 19.15.17.10 NMAC, ground water is more than 50 feet below the bottom of the temporary pit. - This well was drilled with air. Therefore, unlike a well drilled with mud, it was much easier to determine when a water zone was encountered. The driller reported that the water zone encountered was at approximately 345 feet. (see 3/28/07 on the enclosed Daily Drilling Report). This comports with the sand zone shown on the Spectral Density Dual Spaced Neutron Log (see attached log). The K.B. on the rig was 8.5 feet. The sand zone came in around 353 to 357 log depths. Subtracting K.B. from this means the water bearing sand is around 344.5 to around 348.5 from the surface.

OPERATIONAL REQUIREMENTS-19.15.17.12:

We will comply and/or have complied with the new Operational Requirements as they have come into effect as of 6/16/08. The well itself was drilled and completed pursuant to earlier requirements.

CLOSURE REQUIREMENTS-19.15.17.13:

In accordance with Subsection B) of 19.15.17.13 NMAC, we will close the temporary pit by excavating all contents, including the synthetic pit liners, and transfer those materials to a division-approved facility. If the sampling program demonstrates that a release has not occurred or that any release does not exceed the concentrations specified in Subparagraph (b) of Paragraph (1) of Subsection B of 19.15.17.13 NMAC, then we shall backfill the temporary pit excavation with compacted, non-waste containing, earthen material; construct a division-prescribed soil cover; recontour and re-vegetate the site. The division-prescribed soil cover, recontouring and re-vegetation requirements shall comply with Subsections G, H and I of 19.15.17.13 NMAC.

In accordance with Subsection J of 19.15.17.13 NMAC, we will notify the surface owner (BLM) by certified receipt requested, that we plan to close the temporary pit.

In accordance with Subsection K of 19.15.17.13 NMAC, within 60 days of closure completion, we will submit a closure report on form C-144, with necessary attachments to document all closure activities.

☒ **Confirmation Sampling Plan:**

In accordance with Subsection B (1) (b) (ii) 19.15.17.13 NMAC where ground water is more than100 feet below the bottom of the temporary pit (see Siting Criteria for verification of ground water levels), we will test the soils beneath the temporary pit to determine whether a release has occurred. We will collect, at a minimum, a five point, composite sample and collect individual grab samples from any area that is wet, discolored or showing other evidence of a release. We will analyze for Benzene, total BTEX, TPH, GRO & DRO combined fraction and chlorides using EPA SW-846 methods to determine if samples exceed OCD accepted levels. We will notify the OCD of the results and will comply with OCD's regulations if it has been determined that a release has occurred.

☒ Disposal Facility Name and Permit Number (for liquids, drilling fluids and drill cuttings)

Disposal Facility Name: GANDY MARLEY LANDFARM *Disposal Facility Permit Number:* 19

☒ Soil Backfill and Cover Design Specifications

In accordance with Subsection H of 19.15.17.13 NMAC, the soil cover will consist of the background thickness of topsoil or one foot of suitable material to establish vegetation at the site, whichever is greater. We will construct the soil cover to the site's existing grade and prevent ponding of water and erosion of the cover material.

☒ Re-vegetation Plan

In accordance with Subsection I of 19.15.17.13 NMAC and BLM's Reserve Pit Reclamation Requirements, we will spread the stockpile of topsoil over the pit site to cultivate a seed bed. We will not contaminate this area by using mud and/or cuttings from the pit. We will use BLM's Desired Plant Community seed mixture for this geographic area (see attached the BLM's Surface Reclamation/Restoration Requirements for the Paisano). This seed mixture also corresponds to the OCD's requirements of having vegetative cover that equals 70% of the native perennial vegetative cover which consist of at least three native plant species and includes at least one grass, but not including noxious weeds.

The topsoil will be plowed under with soil turning equipment and the plowed surface shall be disked before seeding. Seed will be planted using a drill equipped planter with a depth regulator to ensure proper depth of planting where drilling is possible. The seed mixture shall be evenly and uniformly planted over the disturbed area. Given that the smaller/heavier seeds have a tendency to drop to the bottom and are planted first, we will broadcast the larger/lighter seeds and the area will be raked or chained to cover the seeds. We will apply no less than 8 pounds per acre.

We will notify the division when the pit has been seeded or planted and will repeat seeding or planting until the pit has successfully achieve the required vegetative cover. We will notify the division when it successfully achieves re-vegetation.

☒ Site Reclamation Plan

In accordance with Subsection G of 19.15.17.13 NMAC, we will reclaim the pit location including associated access roads to a safe and stable condition that blends with the surrounding undisturbed area. We will substantially restore the impacted surface area to the condition that existed prior to oil operations according to our Soil Backfill and Cover Design Specifications plan, 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 our Re-vegetation Plan.

Bureau of Land Management
Roswell Field Office
2909 West 2nd Street
Roswell, NM 88201-2019
Phone: 575.627-0272 Fax: 575.627-0276

Fax Cover Sheet

To: Jim Barrack

Phone: _____ Fax: 505-242-8501

Office: _____

From: Randy Legler

Phone: 575-627-0215

Number of pages including cover sheet: 2

Remarks: Sandy Plains CP-2 seed mix
For: Paisano Federal #1
30-005-63840
T9S R27E Sec 12 SESE

PECOS DISTRICT, BLM
SEED MIX FOR

The following Soils or Soil Associations may represent these ecological sites: Anthony Sandy loam, 0 to 1% slope, eroded, Berino complex, 0 to 3% slopes, eroded, Berino – Dune land complex, 0 to 3% slopes, eroded, Bluepoint, Douro, Faskin, loamy fine sands, 0-2% slope, Ima, Jalmar fine sands, 0-2% slope, Kermit fine sand, Likes loamy fine sand, 1 to 5% slopes, Malmstrom loamy fine sand, 0-2% slope, Pajarito-Dune land comples, 0 to 3% slopes, Pima slit loam, 0 to 1% slopes, Pintura, Pyote, Roswell fine sand, 2-25% slope, Wink fine sandy loam, 0 to 3% slopes

Sandy Plains CP-2 Ecological Site, Sand Hills CP-2 Ecological Site, Deep Sand SD-3 Ecological Site

April 4, 2006

Common Name and Preferred Variety	Scientific Name	Pounds of pure Live Seed Per acre	
Sand bluestem	(*Andropogon hallii*)		0.5
Little bluestem	(*Schizachyrium scoparium*)		0.5
Sideoats grama	(*Bouteloua curtipendula*)	1.5	
Sand dropseed	(*Sporobolus cryptandrus*)	0.5	
Spike dropseed	(*S. contractus*)	0.5	
Mesa dropseed	(*S. flexuosus*)		0.5
Plains bristlegrass	(*Setaria macrostachya*)	2.0	
Desert or Scarlet Globemallow	(*Sphaeralcea ambigua*) or (*S. coccinea*)	0.5	
Buckwheat	(*Eriogonum* spp.)	1.5	
TOTAL POUNDS PURE LIVE SEED (pls) PER ACRE			**8.00**

Certified weed free seed

If one species is not available increase all others proportionately. Use no less than six (6) species with a minimum of one (1) forb. Apply no less than 8.0 pounds pls per acre.

APPROVED: /s/ Douglas J. Burger
District Manager, Pecos District

Seed mix for: Paisano Federal #1
30-005-63840
T9S R27E Sec 12 SESE

Jalapeno Corporation
Daily Drilling Report

Paisano Federal #1

Well API NO. 30-005-63840
S. 12, T. 9S, R. 27E
Chaves, County

2/10/06	Well staked – (John West Surveying Company).
7/27/06	Application for Permit to Drill was approved by the BLM on this date.
8/6/06	Location built (Gene Shull).
8/10/06	Pit built (Gene Shull).
10/11/06	Pit lined (Mesquite Services).
10/16/06	Received from BLM approval to use rotary tools rather than cable tools.
3/21/07	Trucking in equipment and rigging up.
3/22/07	Trucking in equipment and rigging up.
3/23/07	Trucking in equipment and rigging up. Heavy rain slowing up rigging process.
3/24/07	Rained again overnight. Continued rigging up. Mud slowing process. Set 10ft. conductor pipe. Because of the mud, unable to get water trucks to location.
3/25/07	Shut down to allow to dry. However, it rained again.
3/26/07	Location and roads dried up during the day sufficiently to get water trucks to location late in the day. Drilling daylights. Will resume drilling tomorrow.
3/27/07	Drilling at 127 ft., surface hole. Took delivery of 526.45 ft. of 8 5/8 J55 24lb casing from Double R Pipe and Supply Inc.
3/28/07	Drilled to 455ft. Encountered small water zone at approximately 345ft.

HALLIBURTON

SPECTRAL DENSITY
DUAL SPACED NEUTRON

COMPANY	JALAPENO CORPORATION
WELL	PAISANO FEDERAL No. 1
FIELD	WOLF LAKE SAN ANDRES SOUTH
COUNTY	CHAVES
STATE	NEW MEXICO

COMPANY JALAPENO CORPORATION
WELL PAISANO FEDERAL No. 1
FIELD WOLF LAKE SAN ANDRES SOUTH
COUNTY CHAVES STATE NEW MEXICO

API No. 30-005-63840
Location 330' FSL AND 330' FEL
Other Services DLL/MGRD

Sect. 12 Twp 9S Rge 27E

ermanent Datum	GROUND LEVEL	Elev 3879.0 ft	Elev. K.B	3887.5 ft
og measured from	KELLY BUSHING	8.5 ft above perm Datum	D.F.	3886.5 ft
rilling measured from	KELLY BUSHING		G.L.	3879.0 ft
ate	11-Apr-07 11.22.26			
un No.	ONE			
epth - Driller	2287.0 ft			
epth - Logger	2286.0 ft			
ottom - Logged Interval	2282.0 ft			
op - Logged Interval	200.0 ft			
asing - Driller	8.625 in @ 535.0 ft	@	@	@
asing - Logger	532.0 ft			
it Size	7.875 in	@	@	@
ype Fluid in Hole	BRINE/OILFORM WATER			
ensity / Viscosity	10.0 ppg / s/qt			
H / Fluid Loss	pH / cptm			
ource of Sample	NOT AVAILABLE			
m @ Meas Temperature	ohmm @ degF	@	@	@
mf @ Meas Temperature	ohmm @ degF	@	@	@
mc @ Meas. Temperature	ohmm @ degF	@	@	@
ource Rmf / Rmc	/			
m @ BHT	ohmm @ 81.0 degF	@	@	@
me Since Circulation	11.0 hr			
me on Bottom	11-Apr-07 14:32:47			
ax Rec. Temperature	81.0 degF @ 2286.0 ft	@	@	@
quipment Location	950 HOBBS,NM			
ecorded By	KEITH ANUSKEWICZ	MATTHEW GRAVES		
itnessed By	HARVEY E YATES			

Service Ticket No.. 5037348 API Serial No . 30-005-63840 PGM Version WL INSITE R1 8 (Build 6)

CHANGE IN MUD TYPE OR ADDITIONAL SAMPLE

Date	Sample No				
Depth-Driller					
Type Fluid in Hole					
Density	Viscosity				
Ph	Fluid Loss				
Source of Sample					
Rm @ Meas. Temp		@		@	
Rmf @ Meas Temp		@		@	
Rmc @ Meas. Temp		@		@	
Source Rmf	Rmc				
Rm @ BHT		@		@	
Rmf @ BHT		@		@	
Rmc @ BHT		@		@	

RESISTIVITY SCALE CHANGES

Type Log	Depth	Scale Up Hole	Scale Down Hole

RESISTIVITY EQUIPMENT DATA

Run No.	Tool Type & No	Pad Type	Tool Pos	Other

EQUIPMENT DATA

GAMMA		ACOUSTIC		DENSITY		NEUTRON	
Run No	ONE	Run No		Run No	ONE	Run No.	ONE
Serial No	180590YL	Serial No		Serial No	AD52GR	Serial No	A042GR
Model No	NGRT	Model No		Model No	SDL_DA	Model No.	DSN_II
Diameter	3 625"	No of Cent		Diameter	4 5"	Diameter	3.625"
Detector Model No	T102-A	Spacing		Log Type	DEN-DEN	Log Type	NEU-NEU
Type	SCINT.			Source Type	Cs-137	Source Type	Am241Be
Length	4"	LSA [Y/N]		Serial No	2549GW	Serial No	21645B
Distance to Source	N/A	FWDA [Y/N]		Strength	1 5 Ci	Strength	19 Ci

LOGGING DATA

LOGGING DATA

GENERAL				GAMMA		ACOUSTIC			DENSITY			NEUTRON		
Run	Depth		Speed	Scale		Scale		Matrix	Scale		Matrix	Scale		Matrix
No.	From	To	ft/min	L	R	L	R		L	R		L	R	
ONE	2286	200	REC	0	100				30%	-10%	2 71 GM/CC	30%	-10%	LIME

DIRECTIONAL INFORMATION

Maximum Deviation	@	KOP	@

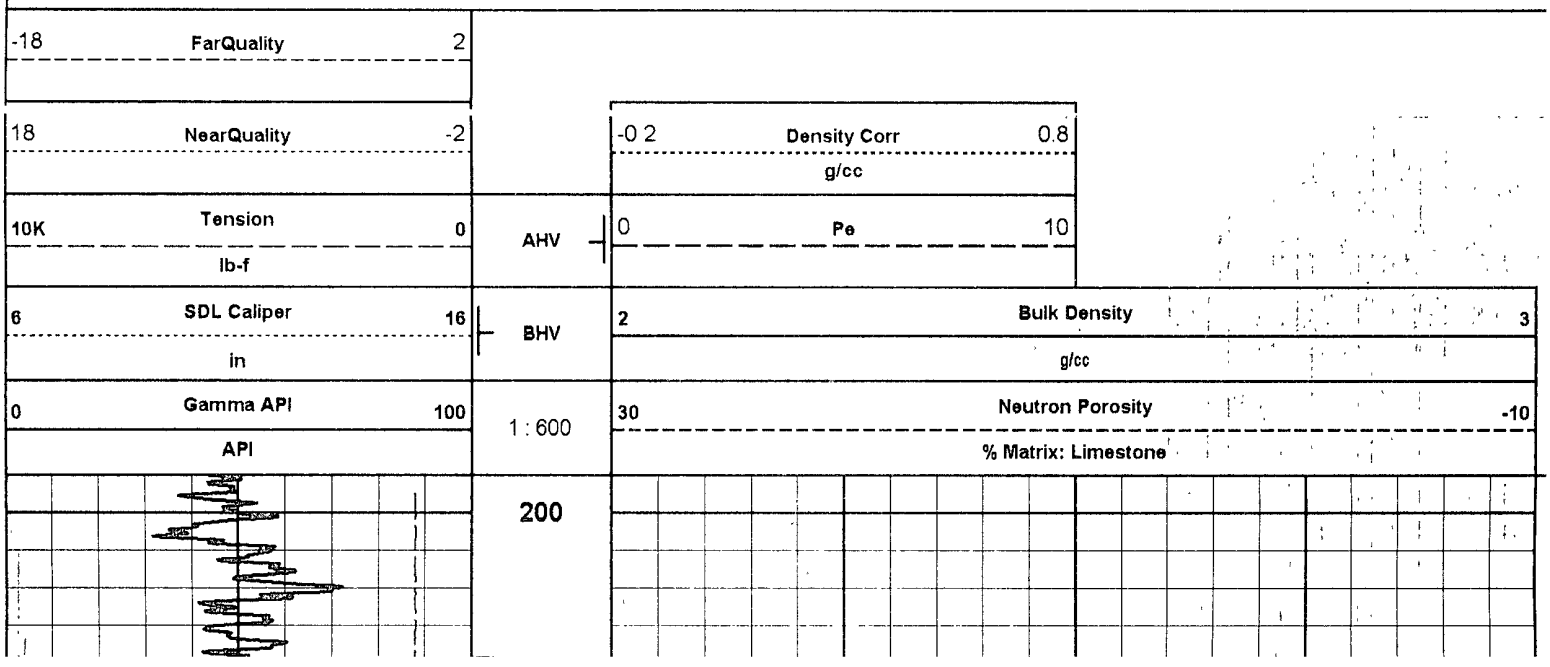
Remarks: TOOLSTRING: BRID/D4TS/NGRT/DLLT/MGRD/CENT
ANNULAR VOLUME CALCULATED FOR 5 5-INCH CASING
MUD PROPERTIES VARIABLE DUE TO MIXTURE OF PRODUCED OIL, FORMATION WATER, AND BRINE IN HOLE
HALLIBURTON DEPTH CONTROL PROCEDURES FOLLOWED.
NO AFTER CALS PERFORMED DUE TO WELLSITE CONDITIONS
PERMIAN Pe
NO MUD SAMPLE AVAILABLE
HOLE CONDITIONS INCLUDED BRINE WATER ON BOTTOM OF HOLE WITH AN OIL ON TOP FLUID LEVEL AT 1330'

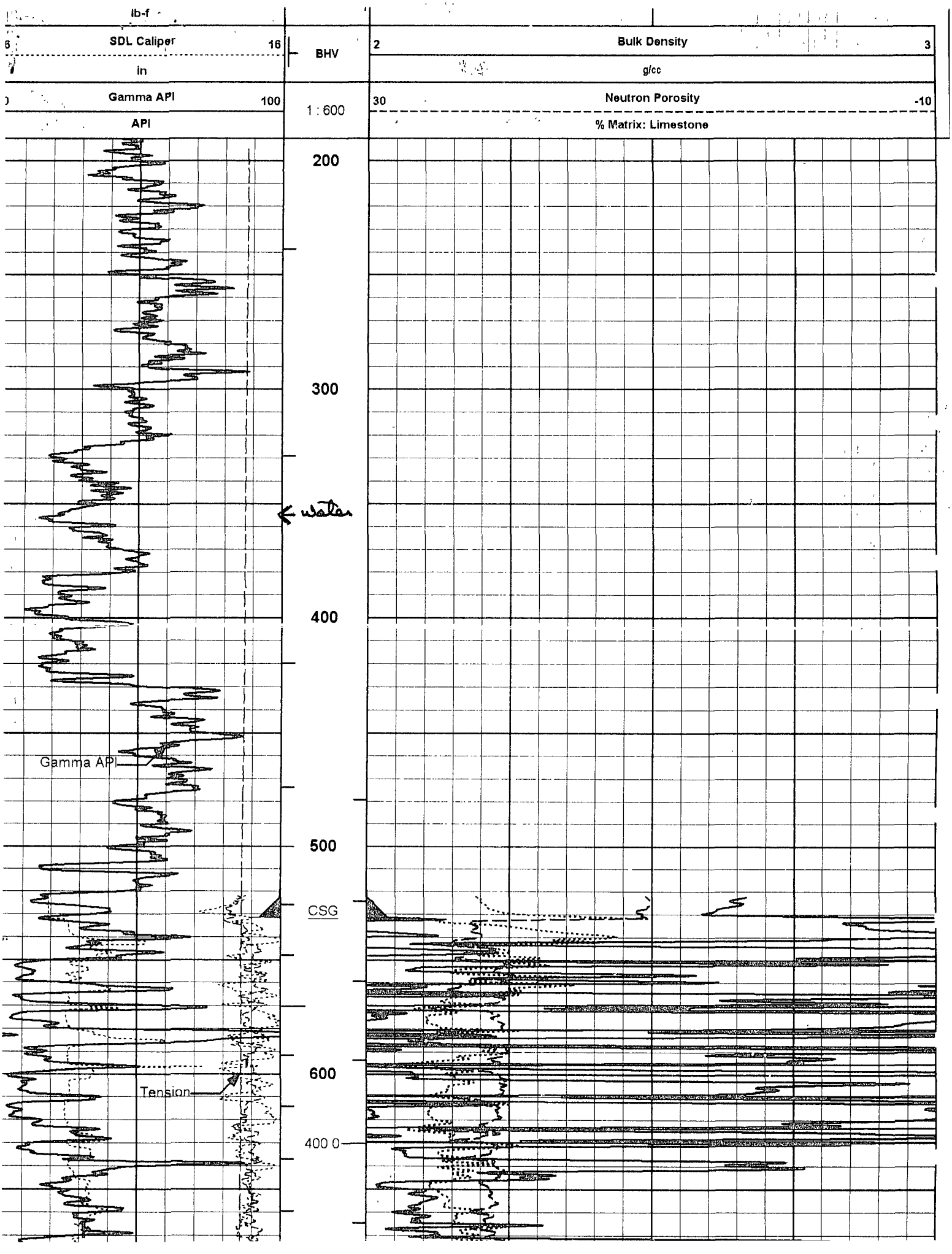
HES PERSONNEL. A.JURADO, R PHILLIPS, N BUTCHER
THANK YOU FOR CALLING HALLIBURTON ENERGY SERVICES!! 1-800-844-8451 (HOBBS, NM)

HALLIBURTON

Plot Time: 11-Apr-07 18:42:47
Plot Range: 190 ft to 2310 ft
Data: 0411_JALAPENO-Well Based-DAQ-0002-004.01-
Plot File: \\SDL_DSN\DSNT-SDLT 2in

MAIN PASS 2" = 100' (LIMESTONE MATRIX)




lb-f
6
SDL Caliper
16
in
BHV
2
Bulk Density
3
g/cc
Gamma API
100
API
1 : 600
30
Neutron Porosity
-10
% Matrix: Limestone
200
300
water
400
Gamma API
500
CSG
600
Tension
400 0

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

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

AUG 12 2008
OCD-ARTESIA

Form C-144
June 1, 2004

For drilling and production facilities, submit to appropriate NMOCD District Office.
For downstream facilities, submit to Santa Fe office

S

Pit or Below-Grade Tank Registration or Closure

Is pit or below-grade tank covered by a "general plan"? Yes ☐ No ☒
Type of action: Registration of a pit or below-grade tank ☐ Closure of a pit or below-grade tank ☒

NOV 19 2007
OCD-ARTESIA

Operator Jalapeno Corporation Telephone: 505-242-2050 e-mail address: personnel3@msn.com

Address: P.O. Box 1608, Albuquerque, NM 87103

Facility or well name: Paisano Federal #1 API #: 30-005-63840 U/L or Qtr/Qtr P Sec 12 T 9-S R 27-E

County: Chaves Latitude 33 °32'27.75" N Longitude 104°08' 18.75' W NAD 1927 ☐ 1983 ☐

Surface Owner: Federal ☒ State ☐ Private ☐ Indian ☐

Pit	Below-grade tank
Type: Drilling ☒ Production ☐ Disposal ☐ Workover ☐ Emergency ☐ Lined ☒ Unlined ☐ Liner type: Synthetic ☒ Thickness 12 mil Clay ☐ Pit Volume 5600 bbl	Volume: ____bbl Type of fluid: _____ Construction material: _____ Double-walled, with leak detection? Yes ☐ If not, explain why not.

Depth to ground water (vertical distance from bottom of pit to seasonal high water elevation of ground water) **approx. 345 ft.**	Less than 50 feet 50 feet or more, but less than 100 feet 100 feet or more XX	(20 points) (10 points) (0 points)	0
Wellhead protection area: (Less than 200 feet from a private domestic water source, or less than 1000 feet from all other water sources.)	Yes No XX	(20 points) (0 points)	0
Distance to surface water. (horizontal distance to all wetlands, playas, irrigation canals, ditches, and perennial and ephemeral watercourses.) **Pecos River – 10 miles**	Less than 200 feet 200 feet or more, but less than 1000 feet 1000 feet or more XX	(20 points) (10 points) (0 points)	0
	Ranking Score (Total Points)		0

If this is a pit closure: (1) Attach a diagram of the facility showing the pit's relationship to other equipment and tanks. (2) Indicate disposal location: (check the onsite box if your are burying in place) onsite ☒ offsite ☐ If offsite, name of facility_____. (3) Attach a general description of remedial action taken including remediation start date and end date (4) Groundwater encountered: No ☒ Yes ☐ If yes, show depth below ground surface____ft. and attach sample results

(5) Attach soil sample results and a diagram of sample locations and excavations

Additional Comments: **The 12 mil plastic will be folded over the top and on top of that 20 mil will be placed. Then 3 feet of stockpiled dirt will be placed on top of the 20 mil and the dirt will be reseeded. Because of the depth of the water at this drill site, it is our understanding that no soil samples are required.**

"Burrito" Style closure is denied

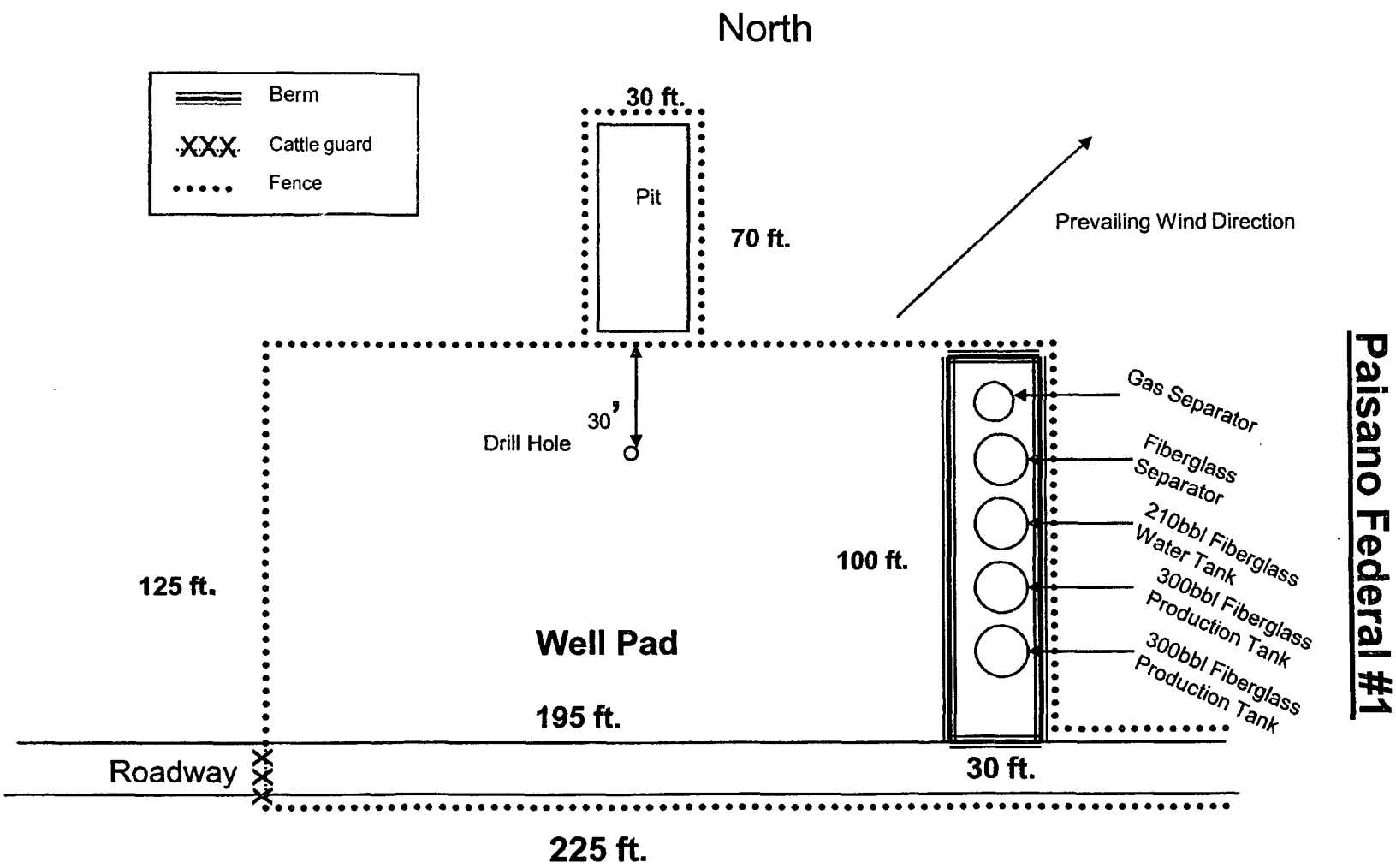
I hereby certify that the information above is true and complete to the best of my knowledge and belief. **I further certify that the above-described pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☒, a general permit ☐, or an (attached) alternative OCD-approved plan ☐.**

Date: 11/16/07

Printed Name/Title Harvey E. Yates, Jr. - President Signature: Jalapeno Corporation by: Harvey Yates

Your certification and NMOCD approval of this application/closure does not relieve the operator of liability should the contents of the pit or tank contaminate ground water or otherwise endanger public health or the environment Nor does it relieve the operator of its responsibility for compliance with any other federal, state, or local laws and/or regulations

Approval.
Printed Name/Title DENIED Signature _____ Date: NOV 26 2007


North
Berm
Cattle guard
Fence
30 ft.
Pit
70 ft.
Prevailing Wind Direction
30'
Drill Hole
Gas Separator
Fiberglass Separator
210bbl Fiberglass Water Tank
300bbl Fiberglass Production Tank
300bbl Fiberglass Production Tank
100 ft.
125 ft.
Well Pad
195 ft.
Roadway
30 ft.
225 ft.
Paisano Federal #1