

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

DEC 29 2008 Form C-144 CLEZ  
July 21, 2008  
OCD ARTESIA  
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 NMOC 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: Chesapeake Operating, Inc. OGRID #: 147179  
Address: P.O. Box 18496 Oklahoma City, OK 73154-0496  
Facility or well name: Queen Lake 20 Federal # 2H  
API Number: 30-015-36444 OCD Permit Number: \_\_\_\_\_  
U/L or Qtr/Qtr O Section 20 Township 24 South Range 29 East County: Eddy  
Center of Proposed Design: Latitude 32.196536 Longitude -103.002909 NAD: ☒ 1927 ☐ 1983  
Surface Owner: ☒ Federal ☐ State ☐ Private ☐ Tribal Trust or Indian Allotment

2. ☒ Closed-loop System: Subsection H of 19.15.17.11 NMAC  
Operation: ☒ Drilling a new well ☐ Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent) ☐ P&A  
☒ Above Ground Steel Tanks or ☐ Haul-off Bins

3. 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 19.15.3.103 NMAC

4. 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.  
☒ 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 Box 5) - 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: \_\_\_\_\_

5. 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 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: Controlled Recovery, Incorporated Disposal Facility Permit Number: R-9166  
Disposal Facility Name: Sundance Disposal Disposal Facility Permit Number: NM-01-0019

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  
☐ 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

6. 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): Linda Good Title: Sr. Regulatory Compliance Specialist  
Signature: Linda Good Date: 8/08/2008  
e-mail address: linda.good@chk.com Telephone: 405-767-4275

7. **OCD Approval:** ☒ Permit Application (including closure plan) ☐ Closure Plan (only)  
**OCD Representative Signature:** Jim W. Brown **Approval Date:** 8-11-08  
**Title:** District II Supervisor **OCD Permit Number:** 0208194

8. **Closure Report (required within 60 days of closure completion):** Subsection K of 19.15.17.13 NMAC  
**Instructions:** Operators are required to obtain an approved closure plan prior to implementing any closure activities and submitting the closure report. The closure report is required to be submitted to the division within 60 days of the completion of the closure activities. Please do not complete this section of the form until an approved closure plan has been obtained and the closure activities have been completed.  
☒ Closure Completion Date: 11/4/08

9. **Closure Report Regarding Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only:**  
**Instructions:** Please identify the facility or facilities for where the liquids, drilling fluids and drill cuttings were disposed. Use attachment if more than two facilities were utilized.  
**Disposal Facility Name:** \_\_\_\_\_ **Disposal Facility Permit Number:** \_\_\_\_\_  
**Disposal Facility Name:** \_\_\_\_\_ **Disposal Facility Permit Number:** \_\_\_\_\_  
 Were the closed-loop system operations and associated activities performed on or in areas that will not be used for future service and operations?  
☐ Yes (If yes, please demonstrate compliance to the items below) ☒ No  
**Required for impacted areas which will not be used for future service and operations:**  
☐ Site Reclamation (Photo Documentation)  
☐ Soil Backfilling and Cover Installation  
☐ Re-vegetation Application Rates and Seeding Technique

10. **Operator Closure Certification:**  
 I hereby certify that the information and attachments submitted with this closure report is true, accurate and complete to the best of my knowledge and belief. I also certify that the closure complies with all applicable closure requirements and conditions specified in the approved closure plan.  
**Name (Print):** Pat Richards **Title:** Production Assistant  
**Signature:** Pat Richards **Date:** 12/17/08  
**e-mail address:** pat.richards@chk.com **Telephone:** 575-391-1462

\* There were no solids or fluids to surface, therefore nothing to haul

**Chesapeake Operating, Inc.'s Closed Loop System  
Queen Lake 20 Federal #2H  
Unit O Sec. 20, T-24-S R-29-E  
Eddy Co., NM  
API #: 30-015-36444**

**Equipment & Design:**

Chesapeake Operating, Inc. is to use a closed loop system with roll-off steel pits.

- (2) King Cobra linear shale shakers
- (1) Derrick D1000 centrifuge
- (1) 500 bbl "frac" tank for fresh water
- (1) 500 bbl "frac tank" brine water

**Operations & Maintenance:**

During each and every tour, the rig's drilling crew will inspect and monitor closely the drilling fluids contained within the steel pits and visually monitor any spill which may occur.

Within 48 hours should a spill, release or leak occur, the NMOCD District II office in Artesia (575-748-1283) will be notified. Please note that notifications may be made earlier to the district office should a greater release occur.

This is in keeping with the reporting requirements of NMOCD's rule 116.

**Closure:**

During and after drilling operations, liquids (which apply), all drill cuttings and drilling fluids will be hauled and disposed to the Controlled Recovery, Inc.'s location.

The disposal permit number for the Queen Lake 20 Federal # 2H well at CRI is: R-9166.

Should this facility not be available, Sundance Disposal is the alternative site. The permit # for this facility is: NM-01-0003.