

District I
1625 N French Dr, Hobbs, NM 88240
District II
1301 W Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S St Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources
Department
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144 CLEZ
July 21, 2008

For closed-loop systems that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure, submit to the appropriate NMOCD District Office

9637
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

Operator	Dugan Production Corp	OGRID #	6515
Address	P.O.Box 420, Farmington, NM 87499		
Facility or well name	South Seas 002		
API Number	30-043-20914	OCD Permit Number	
U/L or Qtr/Qtr	K	Section	6
		Township	22N
		Range	7W
		County	Sandoval
Center of Proposed Design	Latitude	36.17297 N	Longitude
			107.61764 W
		NAD.	☒ 1927 ☐ 1983
Surface Owner.	☒ Federal ☐ State ☐ Private ☐ Tribal Trust or Indian Allotment		

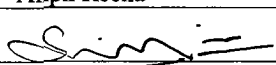
2	☒ Closed-loop System: Subsection H of 19 15 17 11 NMAC
Operation:	☐ Drilling a new well ☐ Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent) ☒ P&A
	☒ Above Ground Steel Tanks or ☐ Haul-off Bins

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

RCVD FEB 23 '12
OIL CONS. DIV.
DIST. 3

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:	Sanchez O' Brien SWD1	Disposal Facility Permit Number	SWD - 694
Disposal Facility Name:	IEI	Disposal Facility Permit Number:	NM-01-001B
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)	Aliph Reena	Title:	Production Engineer
Signature.		Date	02/20/2012
e-mail address	aliph.reena@duganproduction.com	Telephone:	505-325-1821

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OCD Approval: ☒ Permit Application (including closure plan) ☐ Closure Plan (only)
OCD Representative Signature: Jonathan D. Kelly **Approval Date:** 2/24/2012
Title: Compliance Officer **OCD Permit Number:** _____

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Closure Report (required within 60 days of closure completion): Subsection K of 19 15 17 13 NMAC
Instructions: Operators are required to obtain an approved closure plan prior to implementing any closure activities and submitting the closure report. The closure report is required to be submitted to the division within 60 days of the completion of the closure activities. Please do not complete this section of the form until an approved closure plan has been obtained and the closure activities have been completed.
☐ **Closure Completion Date:** _____

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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

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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 _____

Dugan Production Corp
Closed Loop System Proposal
South Seas 2
6-22N-7W
API 30-043-20914
Plug to Abandon

Closed-Loop Design Plan

Dugan Production proposes to use a closed loop circulating system to contain well bore fluid and cement generated during the plugging to abandon procedure on the subject well. The system will not entail any drying pad, temporary pit, below grade tank or sump. The system will consist of an above ground tank with adequate volume to hold all fluid generated during the operation.

- 1 Fencing is not required for an above ground closed-loop system
- 2 Signage in compliance with 19 15 3 103 NMAC will be present
- 3 Water will be contained in a 500 bbl water tank or a water truck that will contain only fresh water

Closed-Loop Operating and Maintenance Plan

The subject closed-loop system will be operated and maintained to contain liquids and solids in order to prevent contamination of fresh water sources, and to protect public health and the environment. To ensure that the operation is maintained, the following steps will be followed:

- 1 The fluids will be vacuumed out and disposed of at the Dugan Production operated Sanchez O'Brien 1 SWD (permit SWD-694) located 1650' fsl and 990' fwl L-Sec 6-Twn 24N-Rng 9W. Solids in the closed loop system will be vacuumed out and disposed of at either the Envirotech facility (permit NM-01-0011) located in Sec 6-Twn 26N-Rng 10W or the IEI facility (permit NM-01-001B) located in Sec 2-Twn 29N-Rng 12W.
- 2 No hazardous waste, miscellaneous solid waste or debris will be discharged into or stored in the tank. Only fluids or cuttings used or generated by operations associated with this procedure will be placed or stored in the tank.
- 3 The division district office will be notified within 48 hours of the discovery of compromised integrity of the closed-loop tank. Upon the discovery of the compromised tank, repairs will begin immediately.
- 4 All the above operations will be inspected daily and a log will be signed and dated.

Closed-Loop Closure Plan

The closed-loop tank will be closed in accordance with 19 15 17 13. This will be done by transporting cuttings and all remaining material to the Envirotech facility (permit NM-01-0011) located in Sec 6-Twn 26N-Rng 10W or the IEI facility (permit NM-01-0010B) located in Sec 2-Twn 29N-Rng 12W. All remaining liquids will be transported and disposed of at the Dugan Production operated Sanchez O'Brien 1 SWD (permit SWD-694) located 1650' fsl and 990' fwl L-Sec 6-Twn 24N-Rng 9W.