

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 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: <u>Dugan Production Corporation c/o San Juan Coal Company</u> OGRID #: <u>6515</u>	
Address: <u>P.O. Box 561, Waterflow, NM 87421</u>	
Facility or well name: <u>Monte Carlo #2</u>	
API Number: <u>30-045-26077</u>	OCD Permit Number: _____
U/L or Qtr/Qtr <u>801' FSL / 902' FWL</u> Section <u>24</u> Township <u>30</u> Range <u>15</u> County <u>San Juan</u>	
Center of Proposed Design: Latitude _____ Longitude _____ NAD: <input checked="" type="checkbox"/> 1927 <input type="checkbox"/> 1983	
Surface Owner: <input checked="" type="checkbox"/> Federal <input type="checkbox"/> State <input type="checkbox"/> Private <input type="checkbox"/> Tribal Trust or Indian Allotment	
2. <input checked="" type="checkbox"/> Closed-loop System: Subsection H of 19.15.17.11 NMAC Operation: <input type="checkbox"/> Drilling a new well <input type="checkbox"/> Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent) <input checked="" type="checkbox"/> P&A <input checked="" type="checkbox"/> Above Ground Steel Tanks or <input type="checkbox"/> Haul-off Bins	
3. Signs: Subsection C of 19.15.17.11 NMAC <input type="checkbox"/> 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers <input checked="" type="checkbox"/> Signed in compliance with 19.15.3.103 NMAC	
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. <input checked="" type="checkbox"/> Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC <input checked="" type="checkbox"/> Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC <input checked="" type="checkbox"/> Closure Plan (Please complete Box 5) - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC <input type="checkbox"/> Previously Approved Design (attach copy of design) API Number: _____ <input type="checkbox"/> Previously Approved Operating and Maintenance Plan API Number: _____	
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: <u>IEI</u> Disposal Facility Permit Number: <u>NM-01-0010B</u> Disposal Facility Name: <u>Envirotech Soil Remediation Facility</u> Disposal Facility Permit Number: <u>NM-01-0011</u> 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? <input type="checkbox"/> Yes (If yes, please provide the information below) <input checked="" type="checkbox"/> No Required for impacted areas which will not be used for future service and operations: <input type="checkbox"/> Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC <input type="checkbox"/> Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC <input type="checkbox"/> Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC	
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): <u>Derek Rawson</u> Title: <u>Superintendent Business Analysis</u> Signature: <u>[Signature]</u> Date: <u>3/16/2012</u> e-mail address: <u>derek.dj.rawson@bhpbilliton.com</u> Telephone: <u>505-598-3265</u>	

7. **OCD Approval:** ☒ Permit Application (including closure plan) ☐ Closure Plan (only)

OCD Representative Signature: _____

Approval Date: _____

Title: _____

OCD Permit Number: _____

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: _____

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): _____

Title: _____

Signature: _____

Date: _____

e-mail address: _____

Telephone: _____

San Juan Coal Company Closed-loop Plans

Closed-looped Design Plan

San Juan Coal Company's closed-loop system will not entail a drying pad, temporary pit, below grade tank or sump. It will include an above ground tank(s) suitable for holding the cuttings and fluids for rig operations. The tank(s) will be sufficient volume to maintain a safe free board between disposal of the liquids and solids from rig operations.

1. Fencing is not required for an above ground closed-loop system
2. It will be signed in compliance with 19.15.3.103 NMAC
3. A frac tank will be on location to store fresh water

Closed-loop Operating and Maintenance Plan

San Juan Coal's closed-loop tank will be operated and maintained to contain liquids and solids in order to prevent contamination of fresh water sources, in order to protect public health and the environment. To ensure the operation is maintained, the following steps will be followed:

1. The liquids and solids will be vacuumed out and disposed of at either IEI's disposal facility (Permit Number NM-01-0010B) or Envirotech Soil Remediation's disposal facility (Permit Number: NM-01-0011) on a periodic basis to prevent over topping.
2. No hazardous waste, miscellaneous solid waste or debris will be discharged into or stored in the tank(s). Only fluids or cuttings used or generated by rig operations 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 be enacted immediately.
4. All of the above operations will be inspected and a log will be signed and dated. During rig operations, the inspection will be daily.

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 sludges to either IEI's disposal facility (Permit Number NM-01-0010B) or Envirotech Soil Remediation's disposal facility (Permit Number: NM-01-0011). The tank(s) will be removed from the location as part of the rig move. The mine owner; San Juan Coal, will reclaim the well site in compliance with the existing Mining & Minerals Division approved Reclamation Plan (copy previously submitted under API #30-045-33326, Kelly FC #1 well, for your review).