

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.

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.

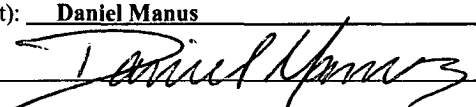
1.
Operator: Black Hills Gas Resources OGRID #: 013925 **RCVD SEP 16 '08**
Address: 3200 N 1st Street / P.O. Box 259 Bloomfield, NM 87413 **OIL CONS. DIV.**
Facility or well name: Jicarilla 29-02-06 #3 **DIST. 3**
API Number: 30-039-26858 OCD Permit Number: _____
U/L or Qtr/Qtr Unit D / NW/NW Section 06 Township 29 N Range 02 W County: Rio Arriba
Center of Proposed Design: Latitude 36.7594444° N Longitude 107.091389° 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

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: TNT Disposal Facility Permit Number: NM 01-8-0
Disposal Facility Name: TNT Disposal Facility Permit Number: NM 01-8-0
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): Daniel Manus Title: Regulatory Technician
Signature:  Date: 9/15/08
e-mail address: dmanus@bhgp.com Telephone: (505) 634-111 extension 28

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

OCD Representative Signature: Bob Pell Approval Date: 9-16-08

Title: Enviro/spec 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: _____



Black Hills Gas Resources

Jicarilla 29-02-06 #3

Surface Location: 710' FNL 460' FWL (NW/NW) Unit D Sec.06 T29N R02W

Rio Arriba County, New Mexico

Lease: Contract MDA 701-98-0013, Tract 4

Closed-looped Design Plan for the Jicarilla 29-02-06 #3

In accordance with Rule 19.15.17 NMAC the following information describes the design of a close-looped system for Black Hills Gas Resources (BHGR). The following describes BHGR standard procedures for a close-looped system, a separate plan will be submitted for any close-looped system which does not conform to this plan

BHGR closed-loop system will not require a drying pad, temporary pit, below grade tank or a sump. It will include an above ground steel tank suitable for holding the cuttings and fluids for rig operations. The tank will be of sufficient volume to maintain a safe free board between disposal of the liquids and solids from the rig operations.

- Fencing is not required for an above ground closed-loop system.
- BHGR will post a well sign in compliance with 19.15.3.103 NMAC.
- BHGR will place frac tank on location to store fresh water.

Operating and Maintenance Plan (O&M)

BHGR's closed-loop system will be operated and maintained to contain liquids and solids to prevent contamination of fresh water sources, to protect public health and the environment. BHGR O&M plan will include the following steps:

- BHGR will vacuum out the liquids, which will be disposed of at T-N-T Environmental facility (Permit# NM 01-8-0). Solids in the closed-loop tank will be vacuumed out and disposed of at T-N-T Environmental facility (Permit# NM 01-8-0) on a periodic basis to prevent over flow.
- No Hazardous waste, miscellaneous solid waste, or debris will be stored in the tank. Only fluids or cuttings, used or generate by rig operations, will be placed or stored in the tank.
- BHGR will notify the Aztec district office within 48 hours, if a discovery of the closed-loop system's integrity is compromised in any way. Upon a discovery of a compromised tank, repairs will be made immediately.
- During rig operations a daily inspection will be conducted, which will be logged, signed, and dated.

Closure Plan

The closed-loop system will be closed within 60 days of completion, and in accordance with Subsection D of 19.15.17.13. This will be done by transporting the cuttings, remaining sludge and all remaining liquid to the T-N-T Environmental facility (Permit# NM 01-8-0). The tank will be removed from the location as part of the rig mob. If any equipment is set off location, BHGR will re-seed the disturbed area. Also as part of the abandonment of the well, the location will be re-contoured and re-vegetated to pre-existing conditions when possible.

Pit Design and Construction Plan for Jicarilla 29-02-06 #3