

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.

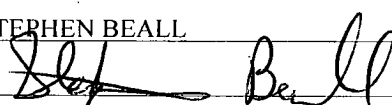
1. Operator: HEP OIL GP, LLC OGRID #: 269469 **RCVD SEP 15 '10**
Address: P.O. BOX 1499 GAINESVILLE, TX 76241-1499 **OIL CONS. DIV.**
Facility or well name: NICKSON No. 9 **DIST. 3**
API Number: 30-045-05872 OCD Permit Number: _____
U/L or Qtr/Qtr D Section 14 Township 26N Range 08W County: SAN JUAN
Center of Proposed Design: Latitude 36.49139 Longitude -107.65769 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: see attached plan Disposal Facility Permit Number: _____
Disposal Facility Name: see attached plan 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
 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): STEPHEN BEALL Title: PRODUCTION ENGINEER
Signature:  Date: 09/13/2010
e-mail address: sbeall@hepoilco.com Telephone: (940)665-4373

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

OCD Representative Signature:  Approval Date: 1/25/11

Title: Compliance Officer 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 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

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: _____

HEP Oil GP, LLC

Closed Loop System (No drying pads & off-site disposal)

General Plan-Well Abandonment

Design Plan - 19.15.17.11(H) NMAC:

In accordance with Rule 19.15.17.11 New Mexico Administrative Code (NMAC), HEP Oil GP, LLC proposed closed-loop system will not incorporate drying pads, temporary pits, below-grade tanks or a sump area. The main component of this system will consist of above-ground welded steel tanks or 'pits' suitable for holding well fluids, used for circulating and cementing operations, and the debris that is removed from the hole. The volume of the tank(s) will be sufficient as to allow gravity segregation of the debris from the fluids, yet still comply with free board requirements.

1. Fencing is not required for the above-ground closed-loop system
2. It will be signed in accordance with Rule 19.15.3.103 NMAC

Operations and Maintenance Plan - 19.15.17.12(A) NMAC:

The closed-loop drilling systems will be operated and maintained to contain liquids and solids to prevent contamination of fresh water and protect public health and the environment. The following procedure will be followed:

1. The liquids and solids will be vacuumed from the steel 'pits' on an intermittent basis, so as to provide adequate free board and enough time for gravity segregation to occur. The well debris will be hauled to a permitted solid waste disposal site, either EnviroTech (Permit #NM01-0011) or Industrial Ecosystems Inc (Permit #NM01-0010B).
2. No hazardous wastes will be discharged into or stored in the steel 'pits' of the closed-loop system. Only fluids and debris used or generated during the well operations will be placed or stored in the tank.
3. In the event the closed-loop system develops a leak, HEP Oil GP, LLC personnel or their agent, will remove all liquids above the leak line immediately and notify the NM OCD Aztec District office with 48-Hours of the discovery. Repairs to the system will begin immediately.

Closure Plan - 19.15.17.13(D) NMAC:

This general plan as submitted by HEP Oil GP, LLC does not consider the use of drying pads and on-site burial of the well debris.

The steel 'pits' will be emptied of fluids and debris and disposed of at permitted division facilities. The fluids in the steel 'pits' will be disposed of at the Basin Disposal's SWD facility (Permit #NM-01-005).

Solids or other well debris will be vacuumed from the steel 'pits' and hauled to a solid waste disposal site, either EnviroTech (Permit #NM01-0011) or Industrial Ecosystems Inc (Permit #NM01-0010B).

Upon their emptying, the steel 'pits' will be hauled off of the well location back to the yard of the rental company from which these items were rented. At the time of well abandonment, the well site will be reclaimed, re-contoured and re-vegetated to as near original conditions as possible.