

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

HOBBS OCDE

JAN 13 2012

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.

RECEIVED
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: Resaca Operating Company OGRID #: 263848

Address: 1331 Lamar St. Ste. 1450, Houston, TX 77010

Facility or well name: Cooper Jal Unit #127

API Number: 30-025-09637 OCD Permit Number: Pending P1-0 4086

U/L or Qtr/Qtr H Section 24 Township 24S Range 36E County: Lea

Center of Proposed Design: Latitude _____ Longitude _____ 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: Sundance Service Inc. Disposal Facility Permit Number: NM-01-0003

Disposal Facility Name: CRI Disposal Facility Permit Number: NM-01-0006

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

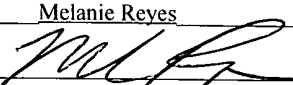
Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

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): Melanie Reyes Title: Engineer Assistant

Signature:  Date: 12/22/2011

e-mail address: melanie.reyes@resacaexploitation.com Telephone: (432) 580-8500

JAN 23 2012

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

OCD Representative Signature: Wend Whitaker **Approval Date:** 1-18-2012

Title: Compliance Officer **OCD Permit Number:** P1-04086

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: _____

EXHIBIT No. 1

For Section 4 of FORM C-144 CLEZ

NEW DRILLING WELL

Closed-loop Systems Application Permit Application Attachment Checklist: Subsection B of 19.15.17.9 NMAC

Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC

1. The drill site will be properly constructed as a 180' x 200' x 9" level caliche pad. At the time the drill site is leveled, the scraped soil will be stockpiled for later use. The drill site will contain no pit. The drill pad will also contain a 6' x 6' x 6' well-bore cellar at the well location.
2. Prior to the commencement of drilling operations a sign compliant with 19.15.3.103 NMAC will be properly posted.
3. A 'Claco closed loop drilling fluid system' in conjunction with (2) two 250 bbl steel rig pits with shale shaker and a 500 bbl emergency tank will be rigged prior to the commencement of drilling operations. No permanent, temporary emergency or in-ground pit will be constructed. All drilling operations requiring the manipulation of drilling fluids will be conducted with the 'Claco closed loop drilling fluid system.' No drying pads will be constructed. See the attached flow sketch labeled 'Claco Closed-Loop Flow Diagram.'
4. At the completion of drilling operations and removal of all equipment, the area will be secured and prepared for production operations.

Operating and Maintenance Plan – based the appropriate requirements of 9.15.17.12 NMAC

1. All drilling fluids and cuttings will be contained in the steel rig pits, Claco closed loop drilling fluid system, emergency 500 bbl tank or roll-off disposal bins. No in-ground pits of any kind will be used.
2. Only materials normally required for oil field drilling operations will be allowed at the drill site.
3. The roll-off bins will be lined with the appropriate PE liner. After the cuttings have been transported to the disposal site and removed, the roll-off bins will be flushed with fresh water at the disposal site and re-lined before being returned to service.
4. All drill cuttings will be transported to the Sundance Services, Inc., Parabo Disposal Facility in Eunice, NM or other appropriate disposal sites for disposal. All fluids will either be transported to and used at the next Torch drill site or disposed of at an appropriate disposal facility.

5. Rig hands and on-site supervisors (tool pusher and consultant) will regularly inspect for proper operation of the closed loop system and collection of and disposal of drill cuttings and fluids.
6. All fluid holding equipment is regularly inspected and maintained. Any leaks detected will be dealt with in accordance with Paragraph (5) of Subsection A of 19.15.17.12 NMAC.

Closure Plan – based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC

As stated in the attached design and operating and maintenance plans, the proposed closed loop system is self-contained. No temporary, permanent in-ground pits of any type or drying pads will be used; therefore there is no on-site closure. All solids will be contained, transported to an appropriate disposal site and disposed of. All fluids will be collected from the closed loop system and disposed of at an appropriate disposal site or moved to the next drill site for further service. All drilling and closed loop system equipment will be removed from the drill site.

The proper closure reporting requirements from Subsection K of 19.15.17.13 NMAC will be met and reported to the NMOCD.

CLACO CLOSED-LOOP FLOW DIAGRAM

