NM OIL CONSERVATION
ARTESIA DISTRICT
AUG 15 2016
RECEIVED

District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 S. First St., 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
Revised June 6, 2013

For temporary pits, below-grade tanks, and multi-well fluid management pits, submit to the appropriate NMOCD District Office.
For permanent pits submit to the Santa Fe Environmental Bureau office and provide a copy to the appropriate NMOCD District Office.

Pit, Below-Grade Tank, or Proposed Alternative Method Permit or Closure Plan Application

Type of action:
- ☐ Below grade tank registration
- ☐ Permit of a pit or proposed alternative method
- ☒ Closure of a pit, below-grade tank, or proposed alternative method
- ☐ Modification to an existing permit/or registration
- ☐ Closure plan only submitted for an existing permitted or non-permitted pit, below-grade tank, or proposed alternative method

Instructions: Please submit one application (Form C-144) per individual pit, below-grade tank or alternative request

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: JALAPENO CORPORATION OGRID #: 26307
Address: PO BOX 1608 ALBUQUERQUE, NM 87103
Facility or well name: LIZARD STATE 20 #1
API Number: 30-005-64290 OCD Permit Number: 2-13-0030
U/L or Qtr/Qtr E Section 20 Township 9S Range 27E County: CHAVES
Center of Proposed Design: Latitude 33.520637° N Longitude 104.222419° W NAD: ☐1927 ☒ 1983
Surface Owner: ☐ Federal ☒ State ☐ Private ☐ Tribal Trust or Indian Allotment

2.
☒ **Pit:** Subsection F, G or J of 19.15.17.11 NMAC
Temporary: ☒ Drilling ☐ Workover
☐ Permanent ☐ Emergency ☐ Cavitation ☐ P&A ☐ Multi-Well Fluid Management Low Chloride Drilling Fluid ☒ yes ☐ no
☒ Lined ☐ Unlined Liner type: Thickness 20 mil ☒ LLDPE ☐ HDPE ☐ PVC ☐ Other
☐ String-Reinforced
Liner Seams: ☒ Welded ☒ Factory ☐ Other Volume: bbl Dimensions: L 60 x W 15 x D 10

3.
☐ **Below-grade tank:** Subsection I of 19.15.17.11 NMAC
Volume: bbl Type of fluid:
Tank Construction material:
☐ Secondary containment with leak detection ☐ Visible sidewalls, liner, 6-inch lift and automatic overflow shut-off
☐ Visible sidewalls and liner ☐ Visible sidewalls only ☐ Other
Liner type: Thickness mil ☐ HDPE ☐ PVC ☐ Other

4.
☐ **Alternative Method:**
Submittal of an exception request is required. Exceptions must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.

5.
Fencing: Subsection D of 19.15.17.11 NMAC *(Applies to permanent pits, temporary pits, and below-grade tanks)*
☐ Chain link, six feet in height, two strands of barbed wire at top *(Required if located within 1000 feet of a permanent residence, school, hospital, institution or church)*
☒ Four foot height, four strands of barbed wire evenly spaced between one and four feet
☐ Alternate. Please specify

6.

Netting: Subsection E of 19.15.17.11 NMAC *(Applies to permanent pits and permanent open top tanks)*

☐ Screen ☐ Netting ☐ Other_____

☐ Monthly inspections (If netting or screening is not physically feasible)

7.

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 19.15.16.8 NMAC

8.

Variances and Exceptions:

Justifications and/or demonstrations of equivalency are required. Please refer to 19.15.17 NMAC for guidance.

Please check a box if one or more of the following is requested, if not leave blank:

☐ Variance(s): Requests must be submitted to the appropriate division district for consideration of approval.

☐ Exception(s): Requests must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.

9.

Siting Criteria (regarding permitting): 19.15.17.10 NMAC

Instructions: The applicant must demonstrate compliance for each siting criteria below in the application. Recommendations of acceptable source material are provided below. **Siting criteria does not apply to drying pads or above-grade tanks.**

General siting	
Ground water is less than 25 feet below the bottom of a low chloride temporary pit or below-grade tank. - ☐ NM Office of the State Engineer - iWATERS database search; ☐ USGS; ☐ Data obtained from nearby wells	☐ Yes ☒ No ☐ NA
Ground water is less than 50 feet below the bottom of a Temporary pit, permanent pit, or Multi-Well Fluid Management pit . NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	☐ Yes ☒ No ☐ NA
Within incorporated municipal boundaries or within a defined municipal fresh water well field covered under a municipal ordinance adopted pursuant to NMSA 1978, Section 3-27-3, as amended. **(Does not apply to below grade tanks)** - Written confirmation or verification from the municipality; Written approval obtained from the municipality	☐ Yes ☒ No
Within the area overlying a subsurface mine. **(Does not apply to below grade tanks)** - Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division	☐ Yes ☒ No
Within an unstable area. **(Does not apply to below grade tanks)** - Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources; USGS; NM Geological Society; Topographic map	☐ Yes ☒ No
Within a 100-year floodplain. **(Does not apply to below grade tanks)** - FEMA map	☐ Yes ☒ No
Below Grade Tanks	
Within 100 feet of a continuously flowing watercourse, significant watercourse, lake bed, sinkhole, wetland or playa lake (measured from the ordinary high-water mark). - Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within 200 horizontal feet of a spring or a fresh water well used for public or livestock consumption;. - NM Office of the State Engineer - iWATERS database search; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Temporary Pit using Low Chloride Drilling Fluid (maximum chloride content 15,000 mg/liter)	
Within 100 feet of a continuously flowing watercourse, or any other significant watercourse or within 200 feet of any lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). (Applies to low chloride temporary pits.) - Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Within 300 feet from a occupied permanent residence, school, hospital, institution, or church in existence at the time of initial application. - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☒ No
Within 200 horizontal feet of a spring or a private, domestic fresh water well used by less than five households for domestic or stock watering purposes, or 300feet of any other fresh water well or spring, in existence at the time of the initial application. NM Office of the State Engineer - iWATERS database search; Visual inspection (certification) of the proposed site	☐ Yes ☒ No

Within 100 feet of a wetland. - US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Temporary Pit Non-low chloride drilling fluid	
Within 300 feet of a continuously flowing watercourse, or any other significant watercourse, or within 200 feet of any lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). - Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within 300 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☐ No
Within 500 horizontal feet of a spring or a private, domestic fresh water well used by less than five households for domestic or stock watering purposes, or 1000 feet of any other fresh water well or spring, in the existence at the time of the initial application; - NM Office of the State Engineer - iWATERS database search; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within 300 feet of a wetland. - US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Permanent Pit or Multi-Well Fluid Management Pit	
Within 300 feet of a continuously flowing watercourse, or 200 feet of any other significant watercourse, or lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). - Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within 1000 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☐ No
Within 500 horizontal feet of a spring or a fresh water well used for domestic or stock watering purposes, in existence at the time of initial application. - NM Office of the State Engineer - iWATERS database search; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within 500 feet of a wetland. - US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☐ No

10.
Temporary Pits, Emergency Pits, and Below-grade Tanks 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.

☐ Hydrogeologic Report (Below-grade Tanks) - based upon the requirements of Paragraph (4) of Subsection B of 19.15.17.9 NMAC
☒ Hydrogeologic Data (Temporary and Emergency Pits) - based upon the requirements of Paragraph (2) of Subsection B of 19.15.17.9 NMAC
☒ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC
☒ 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 Boxes 14 through 18, if applicable) - 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: _____ or Permit Number: _____

11.
Multi-Well Fluid Management Pit 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
☐ A List of wells with approved application for permit to drill associated with the pit.
☐ Closure Plan (Please complete Boxes 14 through 18, if applicable) - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC
☐ Hydrogeologic Data - based upon the requirements of Paragraph (4) of Subsection B of 19.15.17.9 NMAC
☐ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC

☐ Previously Approved Design (attach copy of design) API Number: _____ or Permit Number: _____

12.
Permanent Pits Permit Application 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.

- ☐ Hydrogeologic Report - based upon the requirements of Paragraph (1) of Subsection B of 19.15.17.9 NMAC
- ☐ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC
- ☐ Climatological Factors Assessment
- ☐ Certified Engineering Design Plans - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Dike Protection and Structural Integrity Design - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Leak Detection Design - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Liner Specifications and Compatibility Assessment - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Quality Control/Quality Assurance Construction and Installation Plan
- ☐ Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC
- ☐ Freeboard and Overtopping Prevention Plan - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Nuisance or Hazardous Odors, including H_2S, Prevention Plan
- ☐ Emergency Response Plan
- ☐ Oil Field Waste Stream Characterization
- ☐ Monitoring and Inspection Plan
- ☐ Erosion Control Plan
- ☐ Closure Plan - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC

13.
Proposed Closure: 19.15.17.13 NMAC
Instructions: Please complete the applicable boxes, Boxes 14 through 18, in regards to the proposed closure plan.

Type: ☒ Drilling ☐ Workover ☐ Emergency ☐ Cavitation ☐ P&A ☐ Permanent Pit ☐ Below-grade Tank ☐ Multi-well Fluid Management Pit ☐ Alternative

Proposed Closure Method: ☐ Waste Excavation and Removal
☐ Waste Removal (Closed-loop systems only)
☒ On-site Closure Method (Only for temporary pits and closed-loop systems)
☐ In-place Burial ☒ On-site Trench Burial
☐ Alternative Closure Method

14.
Waste Excavation and Removal Closure Plan Checklist: (19.15.17.13 NMAC) ***Instructions: Each of the following items must be attached to the closure plan. Please indicate, by a check mark in the box, that the documents are attached.***

- ☐ Protocols and Procedures - based upon the appropriate requirements of 19.15.17.13 NMAC
- ☐ Confirmation Sampling Plan (if applicable) - based upon the appropriate requirements of Subsection C of 19.15.17.13 NMAC
- ☐ Disposal Facility Name and Permit Number (for liquids, drilling fluids and drill cuttings)
- ☐ 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 H of 19.15.17.13 NMAC
- ☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC

15.
Siting Criteria (regarding on-site closure methods only): 19.15.17.10 NMAC
Instructions: Each siting criteria requires a demonstration of compliance in the closure plan. Recommendations of acceptable source material are provided below. Requests regarding changes to certain siting criteria require justifications and/or demonstrations of equivalency. Please refer to 19.15.17.10 NMAC for guidance.

Ground water is less than 25 feet below the bottom of the buried waste. - NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	☐ Yes ☒ No ☐ NA
Ground water is between 25-50 feet below the bottom of the buried waste - NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	☐ Yes ☒ No ☐ NA
Ground water is more than 100 feet below the bottom of the buried waste. - NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	☒ Yes ☐ No ☐ NA
Within 100 feet of a continuously flowing watercourse, or 200 feet of any other significant watercourse, lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). - Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Within 300 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☒ No
Within 300 horizontal feet of a private, domestic fresh water well or spring used for domestic or stock watering purposes, in existence at the time of initial application. - NM Office of the State Engineer - iWATERS database; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Written confirmation or verification from the municipality; Written approval obtained from the municipality	☐ Yes ☐ No
Within 300 feet of a wetland. US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site	NA ☐ Yes ☒ No
Within incorporated municipal boundaries or within a defined municipal fresh water well field covered under a municipal ordinance	

adopted pursuant to NMSA 1978, Section 3-27-3, as amended. - Written confirmation or verification from the municipality; Written approval obtained from the municipality	☐ Yes ☐ No NA
Within the area overlying a subsurface mine. - Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division	☐ Yes ☒ No
Within an unstable area. - Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources; USGS; NM Geological Society; Topographic map	☐ Yes ☒ No
Within a 100-year floodplain. - FEMA map	☐ Yes ☒ No

16.
On-Site Closure Plan Checklist: (19.15.17.13 NMAC) ***Instructions: Each of the following items must be attached to the closure plan. Please indicate, by a check mark in the box, that the documents are attached.***

- ☒ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC
- ☒ Proof of Surface Owner Notice - based upon the appropriate requirements of Subsection E of 19.15.17.13 NMAC
- ☐ Construction/Design Plan of Burial Trench (if applicable) based upon the appropriate requirements of Subsection K of 19.15.17.11 NMAC
- ☒ Construction/Design Plan of Temporary Pit (for in-place burial of a drying pad) - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☒ Protocols and Procedures - based upon the appropriate requirements of 19.15.17.13 NMAC
- ☐ Confirmation Sampling Plan (if applicable) - based upon the appropriate requirements of 19.15.17.13 NMAC
- ☒ Waste Material Sampling Plan - based upon the appropriate requirements of 19.15.17.13 NMAC
- ☒ Disposal Facility Name and Permit Number (for liquids, drilling fluids and drill cuttings or in case on-site closure standards cannot be achieved)
- ☒ Soil Cover Design - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
- ☒ Re-vegetation Plan - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
- ☒ Site Reclamation Plan - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC

17.
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): H. Emmons Yates, III Title: Vice President

Signature: [signature] Date: August 10 , 2016

e-mail address: eyates@jalapenocorp.com Telephone: 505-242-2050

18.
OCD Approval: ☐ Permit Application (including closure plan) ☐ Closure Plan (only) ☐ OCD Conditions (see attachment)

OCD Representative Signature: Signed By [signature] **Approval Date:** 9/22/16

Title: _____ **OCD Permit Number:** _____

19.
Closure Report (required within 60 days of closure completion): 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:** _____

20.
Closure Method:

☐ Waste Excavation and Removal ☐ On-Site Closure Method ☐ Alternative Closure Method ☐ Waste Removal (Closed-loop systems only)
☐ If different from approved plan, please explain.

21.
Closure Report Attachment Checklist: ***Instructions: Each of the following items must be attached to the closure report. Please indicate, by a check mark in the box, that the documents are attached.***

- ☐ Proof of Closure Notice (surface owner and division)
- ☐ Proof of Deed Notice (required for on-site closure for private land only)
- ☐ Plot Plan (for on-site closures and temporary pits)
- ☐ Confirmation Sampling Analytical Results (if applicable)
- ☐ Waste Material Sampling Analytical Results (required for on-site closure)
- ☐ Disposal Facility Name and Permit Number
- ☐ Soil Backfilling and Cover Installation
- ☐ Re-vegetation Application Rates and Seeding Technique
- ☐ Site Reclamation (Photo Documentation)

On-site Closure Location: Latitude _____ Longitude _____ NAD: ☐1927 ☐ 1983

22.

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: _____

Jalapeño Corporation

P.O. Box 1608
Albuquerque, NM 87103-1608
Phone: (505) 242-2050 Fax: (505) 242-8501

August 10, 2016
Certified Mail Receipt
#7015 0640 0001 7997 7700

Oil Conservation Division
811 S. First Street
Artesia, NM 88210

NM OIL CONSERVATION
ARTESIA DISTRICT
AUG 15 2016
RECEIVED

RE: Lizard 20 State #1

Sir or Madam:

Please find enclosed a C-144 for the Lizard State #1. Jalapeno Corp intends an On-site Trench Burial as was approved for the Kobe 22 State #1. The pits for both wells were constructed without enough space to provide the necessary four foot depth of top soil required for an In-Place Pit Burial. An On-site Trench Burial will meet the requirements of the Oil Conservation Division 19.15.17 NMAC.

If you have any questions or need further information, you can reach Emmons Yates at the numbers listed above or by e-mail at eyates@jalapenocorp.com.

Sincerely,

Julie A Pascal

Julie A. Pascal
Jalapeno Corporation
Oil & Gas Operations Associate

JALAPENO CORPORATION

LIZARD 20 STATE #1

1650' FN L & 660' FW L
SECTION 20, T. 9-S, R. 27-E
CHAVES COUNTY, NEW MEXICO

OIL CONSERVATION DIVISION (OCD) - FORM C-144

A. SITING CITERIA (REGARDING PERMITTING)
(See page 2)

B. MODIFICATION TO AN EXISTING PERMIT CHECKLIST
(See pages 3-6)

1. **HYDROGEOLOGIC DATA**
(See page 3)

2. **ON-SITE TRENCH BURIAL DESIGN PLAN**
(See pages 3)

3. **CLOSURE PLAN**
(See pages 4-6)

   a. SITE RECLAMATION PLAN
   (See page 4-5)

   b. SOIL COVER DESIGN
   (See pages 5)

   c. RE-VEGETATION
   (See page 5)

   d. STEEL MARKER FOR ON-SITE CLOSURE
   (See page 5-6)

   e. OTHER GENERAL REQUIREMENTS
   (See page 6)

C. EXHIBITS

Exhibit A – Lizard #1 Daily Drilling Report
Exhibit B – Google Map
Exhibit C – EMNRD MMD Active Mines Web Map
Exhibit D – Topography Map- Location Verification Map
Exhibit E – U.S. Fish and Wildlife Service- National Wetlands Inventory Map
Exhibit F – NM OSE Water Column/Average Depth to Water Data Sheet
Exhibit G – FEMA/FIRM Panel Map
Exhibit H – Trench Diagram

JALAPENO CORPORATION

LIZARD 20 STATE #1

1650' FN L & 660' FW L
SECTION 20, T. 9-S, R. 27-E
CHAVES COUNTY, NEW MEXICO

FORM C-144 COMPLIANCE DEMONSTRATIONS:

9. SITING CRITERIA (REGARDING PERMITTING):

GENERAL SITING

Enclosed herewith are maps and documents to support siting criteria required by 19.15. 17.10 NMAC.

Attached is the first page of the Daily Drilling Report for the Dawg #1 which is located approximately 1034ft West of this proposed well location (See Exhibit #1) and was drilled with cable tools. The Dawg's drilling report shows that water was hit at 135 feet which indicates the depth of the ground water for the Kobe State #1 should also be around 135 feet and would be more than 100 feet below bottom of the onsite trench.

This well site is outside any municipal boundaries and so there is no defined municipal fresh water field covered under a municipal ordinance adopted pursuant to NMSA 1978, Section 3-27-3, as amended, within proposed well site (See Exhibit #2 & 5).

The well site is not within the area overlying a subsurface mine (See Exhibit #3) or within an unstable area (See Exhibit #4). Upon examination of the FEMA website, we found that a FIRM Panel was not printed for the proposed Kobe drill site (See Exhibit #7). Therefore we cannot verify that this well site is not within a 100-Year Flood Plain. However, because our most recent well, the Dawg #1, is 1034 feet away and is not within a flood plan, we believe with a high level of certainty the location for the Kobe is not in a flood plan of any sort.

ON-SITE TRENCH BURIAL /TEMPORARY PIT-USING LOW CHLORIDE DRILLING FLUID (maximum chloride content 15,000 mg/liter).

From our site inspection of the location and various maps, there are no continuously flowing watercourse, or any other significant watercourse within 100 feet or any significant watercourse lakebeds, sinkhole or playa lakes within 200 feet of the site (See Exhibits #2, 4 & 5).

There are no occupied permanent residences, school, hospitals, institutions or churches in existence within 300 feet of well site (See Exhibit # 2 & #4).

From the New Mexico Office of the State Engineer database and visual inspection there are no springs or private, domestic fresh water wells used by less than five household for domestic or stock watering purposes within 200 horizontal feet of the well site, and there is no record of any other fresh water wells or springs within 300 feet of the site. The closest water well appears to be 3376 feet away (Exhibit #6).

The well site is not within 300 feet of a wetland (See Exhibit #5).

H. Emmons Yates, III

8/10/16
Date

JALAPENO CORPORATION

LIZARD 20 STATE #1

1650' FN L & 660' FW L
SECTION 20, T. 9-S, R. 27-E
CHAVES COUNTY, NEW MEXICO

10. MODIFICATION TO AN EXISTING PERMIT CHECKLIST: Subsection B of 19.15.17.9 NMAC

☒ **HYDROGEOLOGIC DATA:**
The hydrogeologic data below provides information and detail on the site's topography, soils, geology, surface hydrology and ground water hydrology in compliance with the siting criteria of 19.15.17.10 NMAC.

1. Topography: Flat well site.(See Exhibits #2&#4).
2. Soils: Soil near the well site is mostly fine sand with some gravel (See Exhibit #2).
3. Surface Hydrology (Ponds & Streams): There are no nearby streams or ponds. The closest surface water is Sardine Lake which is approximately 4.25 miles southeast from the proposed well site and a few shallow arroyo in the area that have mesquite growing in them (See Exhibit #2 &# 5).
4. Ground water Hydrology: According to the NM OSE Website, the nearest water well appears to be 3376 feet away (Exhibit #6).

☒ **ON-SITE TRENCH BURIAL DESIGN PLAN:**

1. The trench will have a properly constructed foundation and side walls consisting of a firm, unyielding base, smooth and free of rocks, debris, sharp edges or irregularities to prevent the liner's rupture or tear.
2. Geotextile will be under the liner where needed to reduce localized stress-strain or protuberances that may otherwise compromise the liner's integrity.
3. The trench will be constructed with a geomembrane liner. The geomembrane will consist of a 20-mil string reinforced LLDPE liner or equivalent liner that the appropriate division district office approves. The geomembrane liner will be composed of an impervious, synthetic material that is resistant to petroleum hydrocarbons, salts and acidic and alkaline solutions. Liner compatibility shall comply with EPA SW-846 Method 9090A.
4. We will minimize liner seams and orient them up and down, not across, a slope. The operator will use factory welded seams where possible. Prior to field seaming, the operator will overlap liners four to six inches and orient liner seams parallel to the line of maximum slope, i.e., oriented along, not across, the slope. The operator will minimize the number of field seams in corners and irregularly shaped areas. Qualified personnel will perform field welding and testing.
5. The operator shall install sufficient liner material to reduce stress-strain on the liner.
6. We will ensure that the outer edges of all liners are secured for the deposit of the excavated waste material into the trench.

JALAPENO CORPORATION

LIZARD 20 STATE #1

1650' FN L & 660' FW L
SECTION 20, T. 9-S, R. 27-E
CHAVES COUNTY, NEW MEXICO

☒ CLOSURE PLAN:

1. In preparation of moving the temporary pit contents into the onsite trench for burial, we have stabilize or solidify the temporary pit contents with soil or other non-waste material at a ratio of no more than 3:1 soil to a capacity sufficient to support the final cover.

2. We had a five-point composite sample collected and tested from contents of the pit in accordance to OCD's rules at Cardinal Laboratories and the laboratory reported the samples analysis did not exceed the OCD Table II parameters and the specified concentrations for in-place burial were met. The test results were sent to the OCD Artesia office on November 9, 2015.

3. Upon achieving all applicable waste stabilization in the temporary pit, we will close the pit by removing all contents, including synthetic liner and transfer the waste and liner to the burial trench.

4. We will then test the soil beneath the pit at a minimum of five point composite sample to include any obvious stained or wet soils, or other evidence of contamination under the liner and have those samples analyzed for the constituents listed in Table I of 19.15.17.13 NMAC.

5. If any contaminant concentration is higher than the parameter listed in Table I, we understand the OCD division may require additional delineation upon review of the results and we must receive approval before proceeding with closure.

6. If any contaminant concentration is less than or equal to the parameter listed in Table I, we will proceed to backfill the pit and if our closure plan submitted with the permit application has been approved for an on-site trench burial, we will begin that process.

7. We will fold the outer edges of the liner to overlap the waste material in the trench prior to the installation of the geomembrane cover and install a geomembrane cover over the waste material in the trench; we will install the geomembrane cover in a manner that prevents the collection of infiltration water in the trench and on the geomembrane cover after the soil cover is in place. The geomembrane cover shall consist of a 20-mil string reinforced LLDPE liner or equivalent cover that the appropriate division district office approves. The geomembrane cover shall be composed of an impervious, synthetic material that is resistant to petroleum hydrocarbons, salts and acidic and alkaline solutions; cover compatibility shall comply with EPA SW-846 Method 9090A.

Site Reclamation Plan

1. Once we have closed a trench, we shall reclaim the pit/trench location and all surround areas to a safe and stable condition that blends with the surrounding undisturbed area. We shall substantially restore the impacted surface area to the condition that existed prior to oil and gas operations by placement of the soil cover as provided in soil cover designs below, recontour the location and

associated areas to a contour that approximates the original contour and blends with the surrounding topography and re-vegetate according to re-vegetation below.

2. Areas reasonably needed for production operations or for subsequent drilling operations shall be compacted, covered, paved, or otherwise stabilized and maintained in such a way as to minimize dust and erosion to the extent practicable.

3. All other areas disturbed by the closure of trench shall be reclaimed as early and as nearly as practicable to their original condition or their final land use and shall be maintained to control dust and minimize erosion to the extent practicable.

Soil Cover Design

1. The soil cover for burial in-place trench will consist of a minimum of four feet of non-waste containing, uncontaminated, earthen material with chloride concentrations less than 600 mg/kg as analyzed by EPA Method 300.0. The soil cover shall include either the background thickness of topsoil or one foot of suitable material to establish vegetation at the site, whichever is greater. We will construct the soil cover to the site's existing grade and prevent pooling of water and erosion of the cover material.

2 Topsoils and subsoils will be replaced to their original relative positions and contoured so as to achieve erosion control, long-term stability and preservation of surface water flow patterns.

Re-vegetation

1. The disturbed area then will be reseeded in the first favorable growing season following closure of the trench.

2. We shall accomplish seeding by drilling on the contour whenever practical or by other division-approved methods. We shall obtain a uniform vegetation that reflects a life-form ratio of plus or minus fifty percent (50%) of pre-disturbance levels and a total percent plant cover of at least seventy percent (70%) of pre-disturbance levels, excluding noxious weeds and maintain that cover through two successive growing seasons. During the two growing seasons that prove viability, there shall be no artificial irrigation of the vegetation.

3. We shall notify the division when location has been seeded or planted and when this area has successfully achieves re-vegetation. We shall repeat seeding or planting until it successfully achieves the required vegetative cover.

Steel Marker for On-Site Closure

1. A steel marker will be place at the center of the on-site burial location and we will file a C-105 within 60 days of closing the trench. In our closure report with the OCD division office, we will state the exact location of the on-site burial. The steel marker will extend at least four feet above mean ground level and at least three feet below ground level. The operator name, lease name and

well number and location, including unit letter, section, township and range, and that the marker designates an on-site burial location shall be welded, stamped or otherwise permanently engraved into the metal of the steel marker.

2. No permanent structures will be built over the onsite burial without the appropriate division district office's written approval. Nor will the onsite burial marker be removed without the division's written permission.

Other General Requirements:

1. We will notify the surface owner of our intent to modify the permit from in-place closure to onsite trench burial.

2. We will not implement closure procedures until we get approval from the OCD District Office.

3. We will notify the surface owner by certified mail, return receipt requested (at the address of the surface owner shown in the Chaves county tax records) of our onsite closure operations at least 72 hours, but not more than one week, prior to any closure operation.

4. We will notify the appropriate division district office verbally and in writing at least 72 hours, but not more than one week, of our onsite closure operations. The notice shall include the operator's name, well name, API number and location. A copy of the notice will be included in the Closure report.

5. Within 60 days of closure completion, we shall submit a closure report on form C-144, with necessary attachments to document all closure activities. In the closure report, we will certify that all information in the report and attachments is correct and that the operator has complied with all applicable closure requirements and conditions specified in the approved closure plan. We will provide a plat of the trench location on form C-l 05 within 60 days of closing the trench.

EXHIBIT A

Jalapeno Corporation
Daily Drilling Report
Lizard 20 State#1
Well API NO. 30-005-64290
S. 20, T. 9S, R. 27E
Chaves, County

Well staked – (John West Surveying Company).

8/14/15 Application for Permit to Drill was approved by the OCD on this date.

Location built. (Gene Shull)

10/5/15 Spudded well @ 1:30PM. Drilled down to 55' GL.

10/15/15 Hit Yates at 252'.

10/22/15 Drilled 303'. Mudded up hole.

10/23/15 R&R headed home ending footage is 316' drilling in anhydrite. D&J headed home 329' drilling in anhydrite.

10/24/15 R&R headed home ending footage is 345' drilling in anhydrite.

10/27/15 D&J headed home 368' drilling in anhydrite. R&R headed home ending footage is 397' drilling in anhydrite.

10/28/15 D&J headed home 413' drilling in anhydrite. R&R headed home ending footage is 424' drilling in anhydrite.

10/29/15 D&J headed home 441' drilling in anhydrite and gypsum. R&R headed home ending footage is 452' drilling in anhydrite and gypsum.

10/30/15 D&J headed home 464' drilling in anhydrite. Bad spot in drill line cutoff 75' and reset rope socket. R&R headed home ending footage is 473' drilling in anhydrite.

10/31/15 D&J headed home 485' drilling in anhydrite.

11/2/15 D&J headed home 496' drilling in anhydrite. R&R headed home ending footage is 507' drilling in anhydrite.

11/3/15 R&R headed home ending footage is 507' drilling in anhydrite.

11/4/15 R&R headed home ending footage is 538' drilling in anhydrite and salt. D&J headed home 552' drilling in anhydrite.

11/5/15 R&R headed home ending footage is 564' RSRS had to cut 75' of drilling line off. Drilling in anhydrite and salt. D&J headed home 474' drilling in anhydrite and sand.

EXHIBIT A

Jalapeno Corporation
Daily Drilling Report
Lizard 20 State#1
Well API NO. 30-005-64290
S. 20, T. 9S, R. 27E
Chaves, County

11/6/15 R&R headed home ending footage is 585' drilling in anhydrite and sand. D&J headed home 596' drilling in anhydrite.

11/7/15 R&R headed home ending footage is 611' drilling in anhydrite.

11/9/15 R&C headed home ending footage is 618' drilling in poly and salt. D&J headed home 627' drilling in polyhalite.

11/10/15 R&C headed home ending footage is 635' drilling in poly. Built up bit and mudded hole up again.

11/11/15 D&J headed home 645' drilling in anhydrite. Reset rope socket and cut off 30' bad cable. R&R headed home ending footage is 661' drilling in poly.

11/12/15 D&J headed home ending footage is 664' drilling in polyhalite.

11/13/15 R&R&C headed home ending footage is 673' drilling in poly.

11/14/15 D&J headed home ending footage is 683' drilling in anhydrite. R&R&C headed home ending footage is 687'.

11/16/15 R&C finished drilling. Laying downd tool string and bailer. Start running casing shortly.

11/17/15 OK on location with the first load of cmt. Cmt fell back 50'.

11/18/15 R&R headed home ending footage is 676' drilling on formation.

11/19/15 D&J headed home 700' drilling in anhydrite. R&R headed home ending footage is 724'.

11/20/15 D&J headed home 751' drilling in gray sand. Penrose at 732'. R&R headed home ending footage is 779' drilling in gray sand.

11/21/15 D&J headed home 804' drilling in red sand and anhydrite.

11/22/15 R&R headed home ending footage is 831' drilling in salt. D&J headed home 854' drilling in sand.

11/23/15 R&R headed home ending footage is 880' drilling in sand. D&J headed home 887' drilling in sand. Pin on mixing sub broke at 9am, fished it out and back to drilling at 3pm.

11/24/15 R&R headed home 911' drilling in sand. D&J headed home 935' drilling in gray sand 911'-929' and sand 929'-935'. R&R headed home 951' drilling in sand.

EXHIBIT A

Jalapeno Corporation
Daily Drilling Report
Lizard 20 State#1
Well API NO. 30-005-64290
S. 20, T. 9S, R. 27E
Chaves, County

11/25/15 D&J & R&R headed home 972' drilling in sand.

12/1/15 D&J headed home 1009' drilling in sand.

12/2/15 D&J headed home 1028' drilling in sand. R&R headed home 1043' drilling in sand.

12/3/15 D&J headed home 1069' drilling in sand. R&R headed home 1087' drilling in sand.

12/4/15 D&J headed home 1110' drilling in sand. R&R headed home 1128'.

12/5/15 D&J headed home 1155'.

12/7/15 D&J headed home 111969' drilling in sand. Ran new depthometer. Gained 11 feet was 1185'.

12/8/15 D&J headed home 1235' drilling in sand and anhydrite. Going to spool new drill line on rig tomorrow.

12/9/15 D&J headed home 1240' drilling in sand. R&R headed home 1259' drilling in lime stone.

12/10/15 D&J headed home 1279' drilling in anhydrite and limestone.

12/11/15 D&J headed home 1327' drilling in limestone.

12/14/15 R&R headed home 1372' drilling in sand.

12/15/15 D&J headed home 1392' drilling in sand. R&R headed home 1405' drilling in brown limestone.

12/16/15 D&J headed home 1420' drilling in limestone.

12/17/15 Crew headed home no luck. Rick is going to try to find a tool tomorrow.

12/18/15 Crew headed home no luck.

12/22/15 Headed home. Clutch got hot trying to cut line. Gonna try again in the morning.

12/23/15 Crew headed home no luck.

12/24/15 Crew headed home. Got fishing tools out. Bit and mixing sub still down hole.

12/31/15 Crew headed home. Rig froze up. Cleaned up snow from rig.

EXHIBIT A

Jalapeno Corporation
Daily Drilling Report
Lizard 20 State#1
Well API NO. 30-005-64290
S. 20, T. 9S, R. 27E
Chaves, County

1/4/16 Headed home. All rigged up. Got tar poured in socket to take a pic of fish. Going to run it in morning.

1/5/16-2/3/16 Crew on Location. Headed home no luck.

2/4/16 1437'.

2/5/16 D&J headed home. No luck. Still fishing.

2/8/16 Headed home got the fish.

2/9/16 D&J headed home 1441' drilling in limestone. R&R headed home 1450' drilling in limestone.

2/10/16 D&J headed home 1457' drilling in limestone. R&R headed home 1467'.

2/11/16 D&J headed home 1476' drilling in limestone. R&R headed home 1484' drilling in limestone.

2/12/16 D&J headed home 1491' drilling in limestone.

2/15/16 R&R headed home 1501' drilling in limestone. D&J headed home 1509' drilling in limestone.

2/16/16 Randy headed home 1517. D&J headed home 1525' drilling in limestone. Reset rope socket.

2/17/16 R&R headed home 1534'. D&J headed home 1547' drilling in limestone.

2/18/16 R&R headed home 1562' drilling in limestone. D&J headed home 1572' drilling in limestone.

2/19/16 R&R headed home 1581' drilling in limestone. D&J headed home 1589' drilling in limestone.

2/22/16 D&J headed home 1596' drilling in limestone. R&R headed home 1606'.

2/23/16 D&J headed home 1618' drilling in limestone. R&R headed home 1631'.

2/24/16 D&J headed home 1641' drilling in limestone. R&R headed home 1652' drilling in limestone.

EXHIBIT A

Jalapeno Corporation
Daily Drilling Report
Lizard 20 State#1
Well API NO. 30-005-64290
S. 20, T. 9S, R. 27E
Chaves, County

2/25/16 D&J headed home 1662' drilling in limestone. R&R headed home 1675' drilling in limestone.

2/26/16 D&J headed home 1686' drilling in limestone. R&R headed home 1695' drilling in limestone.

2/29/16 R&R on location. Ran depthometer hole is 1595'. Back to drilling. R&R and Jason headed home. Ending footage is 1701'.

3/1/16 R&R headed home 1712' drilling in grey and brown limestone. D&J headed home 1725' drilling in limestone.

3/2/16 R&R headed home 1735' drilling in limestone. D&J headed home 1747' drilling in limestone.

3/3/16 R&R 1753' limestone. D&J headed home 1766' drilling in limestone.

3/4/16 R&R headed home 1772' drilling in limestone. D&J headed home 1782' drilling in limestone.

3/7/16 D&J headed home 1789' drilling in limestone. R&R headed home 1798' drilling in limestone.

3/8/16 D&J headed home 1811' drilling in limestone & anhydrite. R&R headed home 1824' drilling in limestone.

3/8/16 HEY- Drilled from 1798' to 1824'. The sample from 1798' to 1811' had significant amount of anhydrite & grey limestone. The sample from 1811' to 1824' had grey to brown limestone & very little anhydrite. From 1811' to 1824' we picked up more gas & a slight show of free oil. (Gas more sour than earlier.) Had a small drilling break around 1815'. If this was the top of the P-1, then we should expect the pay zone, if there is one, to come in somewhere between 1843' and 1850'. On the last bailer run the sand line frayed. Will be repaired in daylight tomorrow.

3/9/16 D&J headed home 1830' drilling in limestone. Spliced sand line.

3/9/16 HEY- Repaired sand line. Drilled from 1824 to 1839. Drilling in limestone & dolomite. Apperared to be an additional show around 1836. No apparent formation water. Shut down for seven hrs. Bail tested in morning & got a quart to a gallon of oil in top of bailer.

3/11/16 D&J headed home 1865' drilling in dolomite. R&R headed home ending footage is 1872' drilling in dolomite.

EXHIBIT A

Jalapeno Corporation
Daily Drilling Report
Lizard 20 State#1
Well API NO. 30-005-64290
S. 20, T. 9S, R. 27E
Chaves, County

3/11/16 HEY-Drilling Report from 7:00am on 3/11/16 to 7:00am on 3/14/16. Drilled from 1858 to 1872. Samples as follows: 1858-62; tan/brn dol. With minor grains of black dol. Strong flor. Oil cut. 1862-65: mostly dol., som im. & small amount of anh. No oil cut. & ess oil in bailer. Appear to have picked up slight amt. of formation water. 1865-69: mostly dol. Some im. 1869-72; tan cryst. Dol., im. & small amt anh. A slight amt. more oil in bailer. Bailed dry & shut in for 57 hrs. over weeken.

3/14/16 R&R headed home ending footage is 1878' drilling in dolomite. D&J headed home 1885' drilling in brown limestone.

3/14/16 HEY-6:30am Recovered 1 & ¼ bailers of fluid, or approximately 54 gal. of fluid of appprox. 21 gal. were oil and 33 gal. were formation water & residual drilling fluid. Drilling ahead.

3/15/16 R&R headed home ending footage is 1893' drilling in limestone.

3/16/16 HEY-7am. Drilled 1903 to 1922. Samples: 1903-1905: Granular (sand) dol. Cut & PP Porosity. Bailed 1 & ¾ bailers of fluid at end of run. 1905-1914: Appear to be drilling in LS. At end of run bailed 2 & ¼ bailers of fluid. Mostly formation water. 1914-1922: LS. At end of run bailed 2 & ½ bailers of water. Bailed dry. Shut down 9 hrs.

3/17/15 At 6:45am bailed 1 &3/4 bailers of formation water. Drilling ahead. Likely will log well on Friday.

EXHIBIT B

Lizard 20 State #1

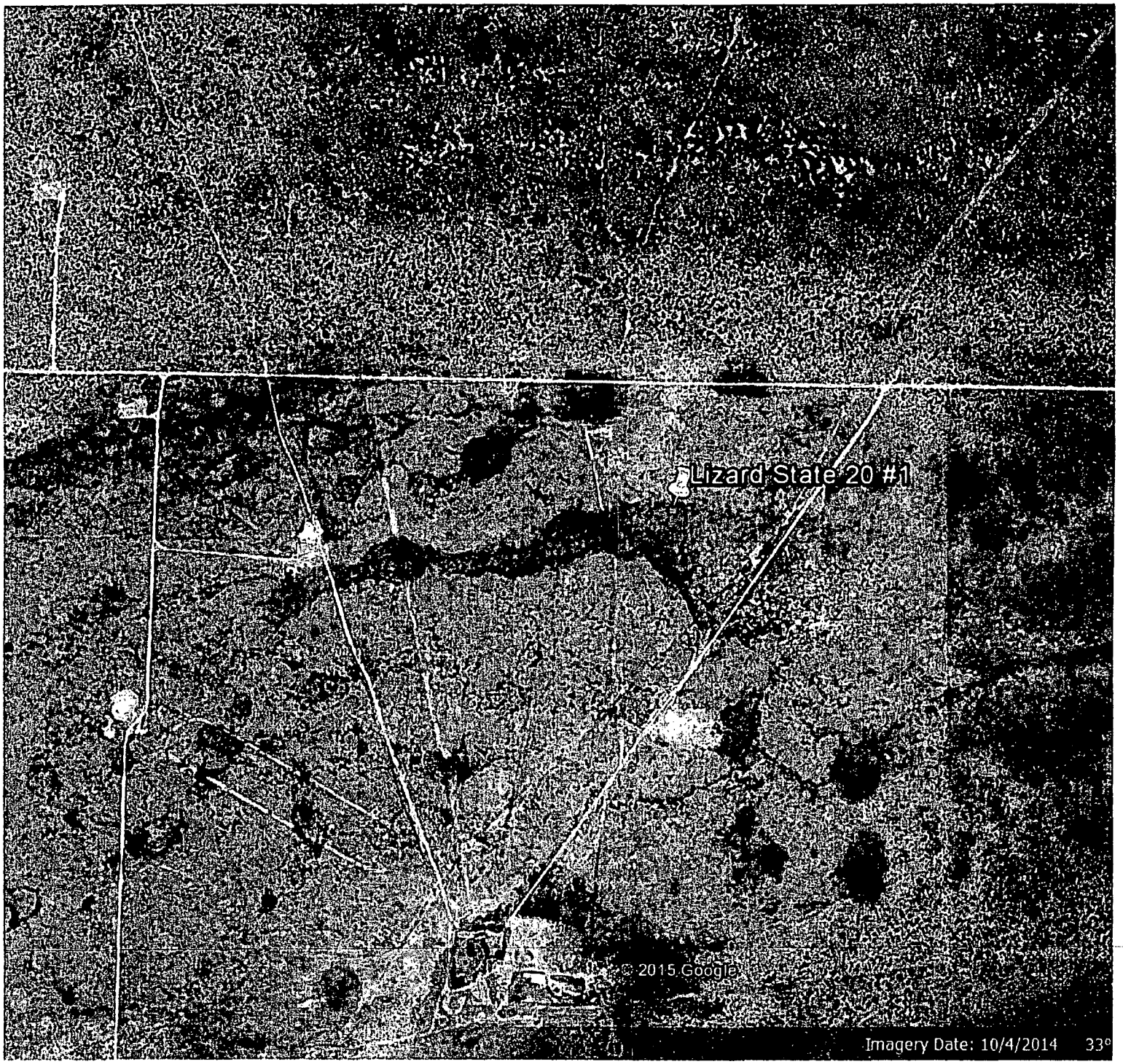
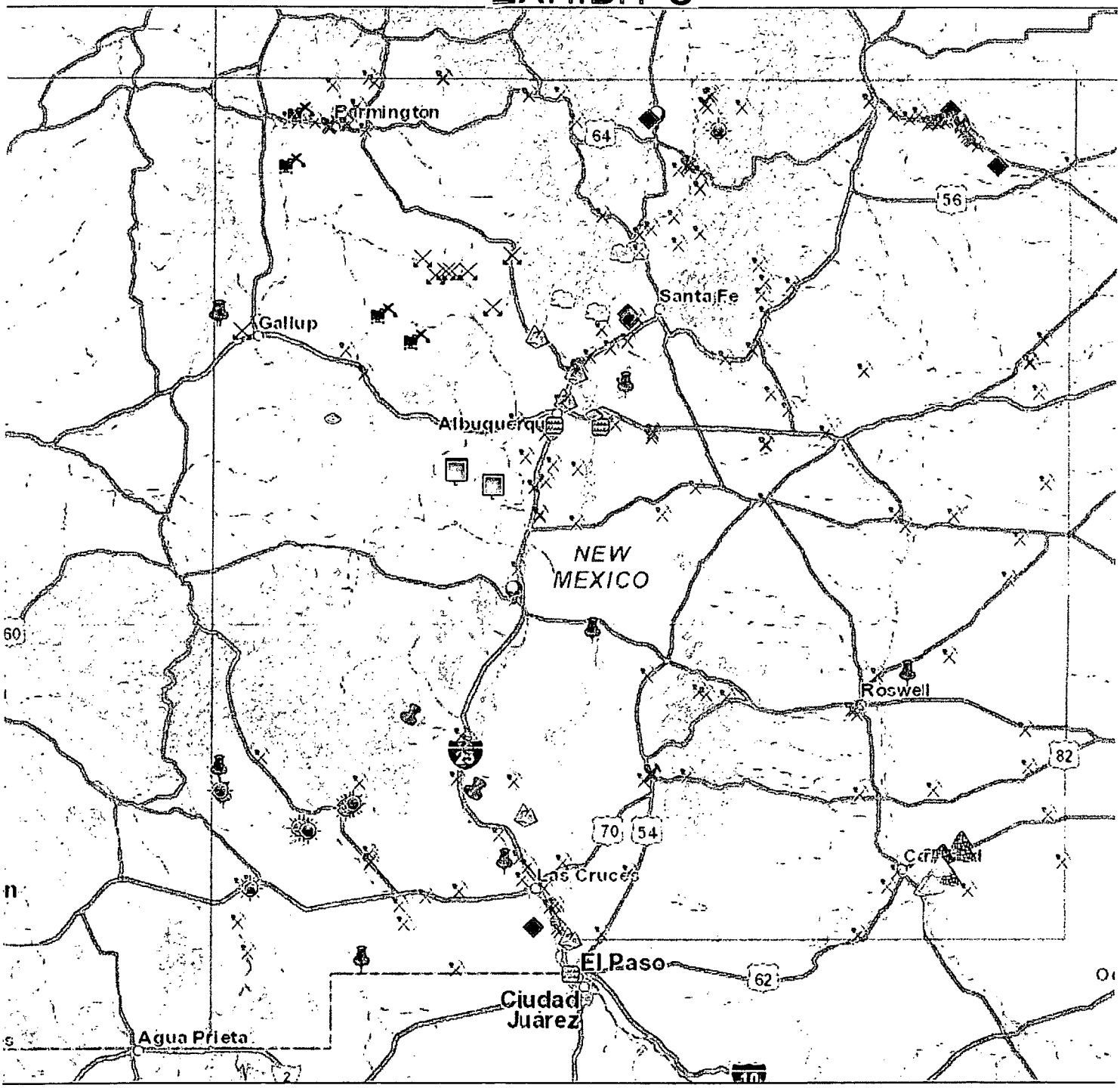


EXHIBIT C

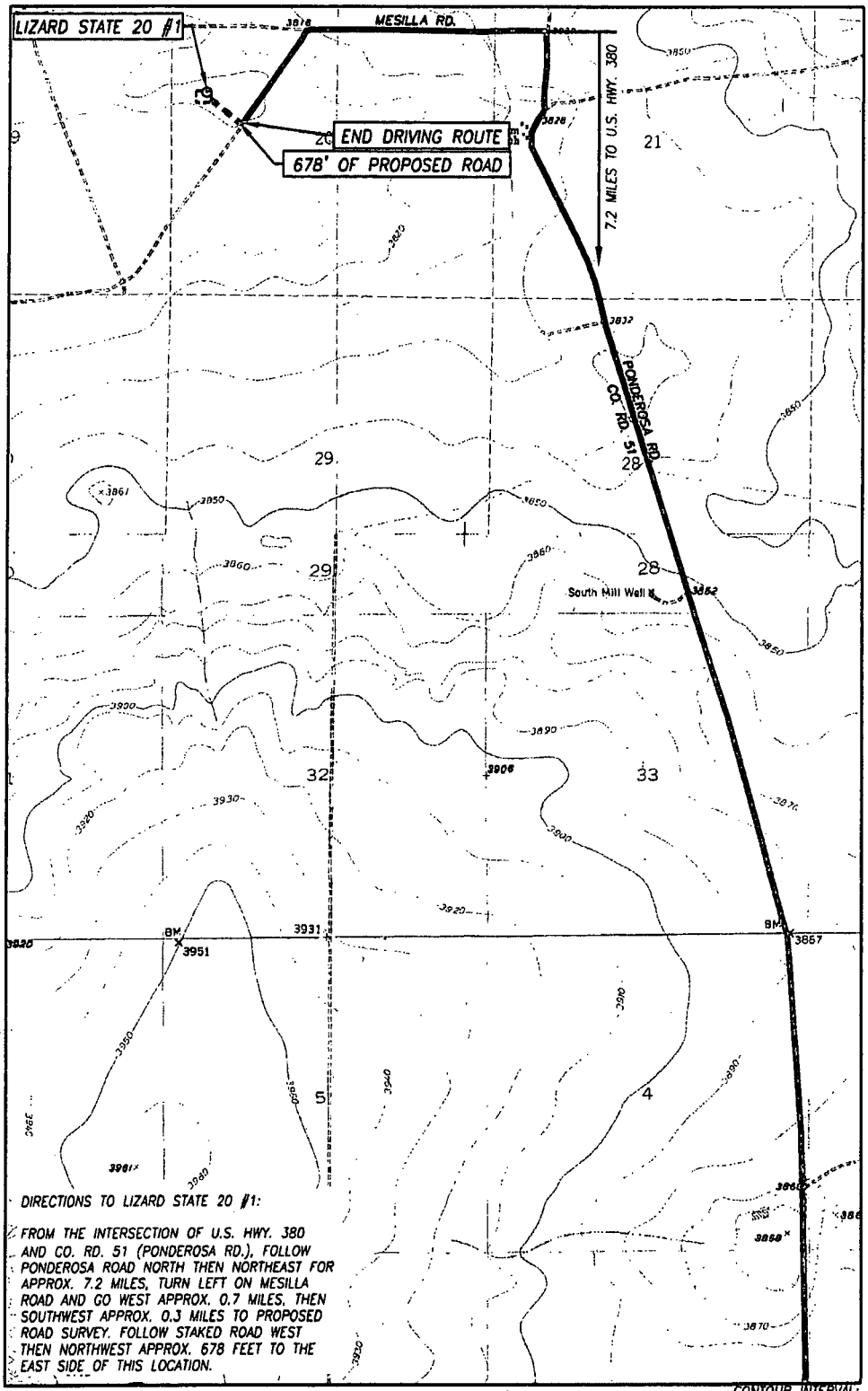


Legend

- Aggregates Etc.
- Clay & Shale / Brick
- Coal
- Gypsum
- Humate
- Limestone
- Metals
- Other
- Perlite
- Potash
- Pumice
- Salt
- Scoria
- Travertine
- Zeolites

EXHIBIT D

TOPOGRAPHICAL AND ACCESS ROAD MAP



SEC. 20 TWP. 9-S RGE. 27-E SCALE: 1" = 2000'

CONTOUR INTERVAL:
CAMPBELL, N.M. - 10'
L-E RANCH, N.M. - 10'

COUNTY CHAVES STATE NEW MEXICO
DESCRIPTION 1650' FNL & 660' FWL
ELEVATION 3809'
OPERATOR JALAPENO CORPORATION
LEASE LIZARD STATE 20
U.S.G.S. TOPOGRAPHIC MAP
CAMPBELL, N.M. SURVEY N.M.P.M.

PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO HOBBS, N.M. 88240
(575) 393-3117 www.jwsc.biz
TBPLS# 10021000

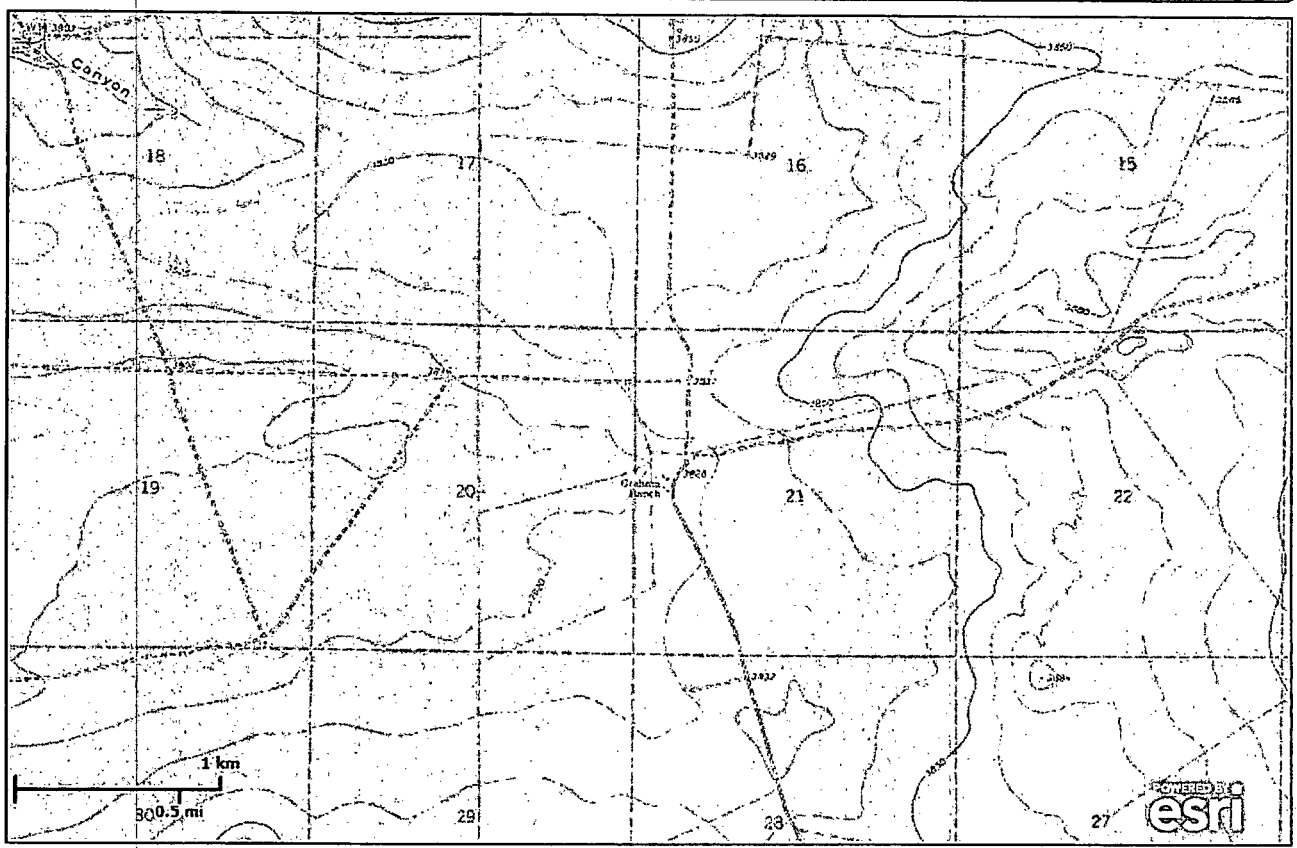
U.S. Fish and Wildlife Service

National Wetlands Inventory

Lizard State 20 #1

20-9S-27-27E

Jul 27, 2015



Wetlands

- Freshwater Emergent
- Freshwater Forested/Shrub
- Estuarine and Marine Deepwater
- Estuarine and Marine
- Freshwater Pond
- Lake
- Riverine
- Other

Riparian

- Herbaceous
- Forested/Shrub

Riparian Status

- Digital Data

This map is for general reference only. The US Fish and Wildlife Service is not responsible for the accuracy or currentness of the base data shown on this map. All wetlands related data should be used in accordance with the layer metadata found on the Wetlands Mapper web site.

User Remarks:

EXHIBIT E

EXHIBIT F

New Mexico Office of the State Engineer

Water Column/Average Depth to Water

(A CLW##### in the POD suffix indicates the POD has been replaced & no longer serves a water right file.)

(R=POD has been replaced, O=orphaned, C=the file is closed)

(quarters are 1=NW 2=NE 3=SW 4=SE)
(quarters are smallest to largest) (NAD83 UTM in meters) (In feet)

POD Number	POD Sub-Code	basin	County	Q 64	Q 16	Q 4	Sec	Tws	Rng	X	Y	Distance	Depth Well	Depth Water	Water Column
RA 09337			CH	4	2	1	12	09S	26E	569489	3712703*	4293	120	99	21

Average Depth to Water: **99 feet**

Minimum Depth: **99 feet**

Maximum Depth: **99 feet**

Record Count: 1

UTMNAD83 Radius Search (In meters):

Easting (X): 572111 **Northing (Y):** 3709303 **Radius:** 10000

This water well is 4293 meters or approximately 2.67 miles away from the proposed Lizard 20 State #1 well site.

***UTM location was derived from PLSS - see Help**

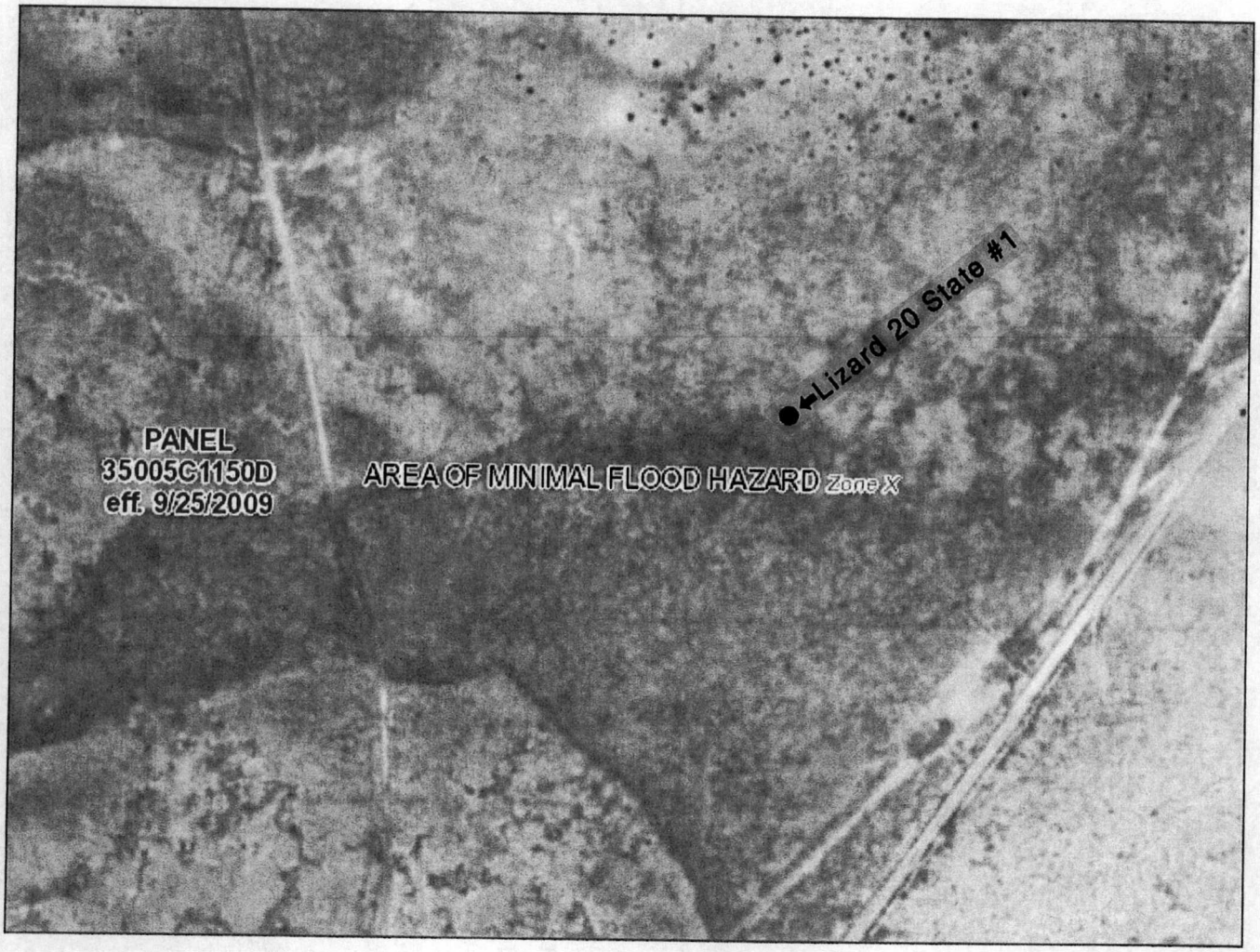
The data is furnished by the NMOSE/ISC and is accepted by the recipient with the expressed understanding that the OSE/ISC make no warranties, expressed or implied, concerning the accuracy, completeness, reliability, usability, or suitability for any particular purpose of the data.

EXHIBIT G

Lizard 20 State #1

FEMA's National Flood Hazard Layer (Official)

Data from Flood Insurance Rate Maps (FIRMs) where available digitally. Try http://bit.ly/1bPpUjq (Unofficial) if this map is down

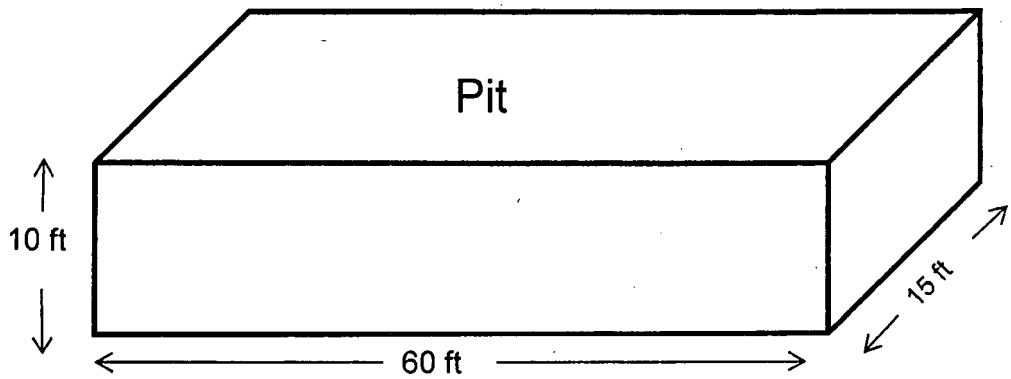


DigitalGlobe, GeoEye, Microsoft, USDA FSA | Esri, HERE

EXHIBIT H

JALAPENO CORPORATION

LIZARD STATE 20 #1



*NOT TO SCALE

SEC. 20 TWP. 09S RGE. 27E
COUNTY CHAVES STATE NEW MEXICO
DESCRIPTION 1650FNL & 660 FEL