

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
June 16, 2008

For temporary pits, closed-loop systems, and below-grade tanks, submit to the appropriate NMOCD District Office.
For permanent pits and exceptions submit to the Santa Fe Environmental Bureau office and provide a copy to the appropriate NMOCD District Office.

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

JUN 27 2008

OCD-ARTESIA

Type of action: ☒ Permit of a pit, closed-loop system, below-grade tank, or proposed alternative method
☐ Closure of a pit, closed-loop system, below-grade tank, or proposed alternative method

Instructions: Please submit one application (Form C-144) per individual pit, closed-loop system, 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

Operator: <u>Trek Operating, LLC</u>	OGRID #: <u>255281</u>
Address: <u>10159 E. 11TH St, Ste. 401</u>	<u>Tulsa, OK 74128-3028</u>
Facility or well name: <u>Bushby Well No. 1</u>	
API Number: <u>30-015-36410</u>	OCD Permit Number: _____
U/L or Qtr/Qtr <u>UL O</u> Section <u>34</u> Township <u>23-S</u> Range <u>28-E</u> County: <u>Eddy</u>	
Center of Proposed Design: Latitude <u>N 32, 25516°</u> Longitude <u>W 104, 07196°</u> NAD: <input type="checkbox"/> 1927 <input checked="" type="checkbox"/> 1983	
Surface Owner: <input type="checkbox"/> Federal <input type="checkbox"/> State <input checked="" type="checkbox"/> Private <input type="checkbox"/> Tribal Trust or Indian Allotment	

<input type="checkbox"/> Pit: Subsection F or G of 19.15.17.11 NMAC Temporary. <input type="checkbox"/> Drilling <input type="checkbox"/> Workover <input type="checkbox"/> Permanent <input type="checkbox"/> Emergency <input type="checkbox"/> Cavitation <input type="checkbox"/> Lined <input type="checkbox"/> Unlined Liner type: Thickness _____ mil <input type="checkbox"/> LLDPE <input type="checkbox"/> HDPE <input type="checkbox"/> PVC <input type="checkbox"/> Other _____ <input type="checkbox"/> String-Reinforced Seams: <input type="checkbox"/> Welded <input type="checkbox"/> Factory <input type="checkbox"/> Other _____ Volume: _____ bbl Dimensions: L _____ x W _____ x D _____	<input checked="" type="checkbox"/> Closed-loop System: Subsection H of 19.15.17.11 NMAC <input type="checkbox"/> Drying Pad <input type="checkbox"/> Tanks <input checked="" type="checkbox"/> Haul-off Bins <input type="checkbox"/> Other _____ <input type="checkbox"/> Lined <input type="checkbox"/> Unlined Liner type: Thickness _____ mil <input type="checkbox"/> LLDPE <input type="checkbox"/> HDPE <input type="checkbox"/> PVC <input type="checkbox"/> Other _____ Seams: <input type="checkbox"/> Welded <input type="checkbox"/> Factory <input type="checkbox"/> Other _____ Volume: _____ bbl _____ yd ³ Dimensions: Length _____ x Width _____
---	---

<input type="checkbox"/> Below-grade tank: Subsection I of 19.15.17.11 NMAC Volume: _____ bbl Type of fluid: _____ Tank Construction material: _____ <input type="checkbox"/> Secondary containment with leak detection <input type="checkbox"/> Visible sidewalls, liner, 6-inch lift and automatic overflow shut-off <input type="checkbox"/> Visible sidewalls and liner <input type="checkbox"/> Visible sidewalls only <input type="checkbox"/> Other _____ Liner type: Thickness _____ mil <input type="checkbox"/> HDPE <input type="checkbox"/> PVC <input type="checkbox"/> Other _____	<input type="checkbox"/> Fencing: Subsection D of 19.15.17.11 NMAC <input type="checkbox"/> Chain link, six feet in height, two strands of barbed wire at top <input type="checkbox"/> Four foot height, four strands of barbed wire evenly spaced between one and four feet <input type="checkbox"/> Netting: Subsection E of 19.15.17.11 NMAC <input type="checkbox"/> Screen <input type="checkbox"/> Netting <input type="checkbox"/> Other _____ <input type="checkbox"/> Monthly inspections <input type="checkbox"/> Signs: Subsection C of 19.15.17.11 NMAC <input type="checkbox"/> 12'x24', 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
---	---

<input type="checkbox"/> Alternative Method: Submittal of an exception request is required. Exceptions must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.	Administrative Approvals 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: <input type="checkbox"/> Administrative approval(s): Requests must be submitted to the appropriate division district or the Santa Fe Environmental Bureau office for consideration of approval. <input type="checkbox"/> Exception(s): Requests must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.
---	--

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. Requests regarding changes to certain siting criteria may require administrative approval from the appropriate district office or may be considered an exception which must be submitted to the Santa Fe Environmental Bureau office for consideration of approval. Applicant must attach justification for request. Please refer to 19.15.17.10 NMAC for guidance. Siting criteria does not apply to drying pads or above-grade tanks associated with a closed-loop system.

- | | |
|--|---|
| Ground water is less than 50 feet below the bottom of the temporary pit, permanent pit, or below-grade tank.
- NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Within 300 feet of a continuously flowing watercourse, or 200 feet of any other watercourse, lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark).
- Topographic map; Visual inspection (certification) of the proposed site | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Within 300 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application.
(Applies to temporary, emergency, or cavitation pits and below-grade tanks)
- Visual inspection (certification) of the proposed site; Aerial photo; Satellite image | <input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> NA |
| Within 1000 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application.
(Applies to permanent pits)
- Visual inspection (certification) of the proposed site; Aerial photo; Satellite image | <input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> NA |
| Within 500 horizontal feet of a private, domestic fresh water well or spring that less than five households use for domestic or stock watering purposes, or within 1000 horizontal feet of any other fresh water well or spring, in existence at the time of initial application.
- NM Office of the State Engineer - iWATERS database search; Visual inspection (certification) of the proposed site | <input type="checkbox"/> Yes <input type="checkbox"/> 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 | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Within 500 feet of a wetland.
- US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Within the area overlying a subsurface mine.
- Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Within an unstable area.
- Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources; USGS; NM Geological Society; Topographic map | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Within a 100-year floodplain.
- FEMA map | <input type="checkbox"/> Yes <input type="checkbox"/> No |

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 - 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: _____

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.

- ☐ Geologic and Hydrogeologic Data (required for on-site closure) - based upon the requirements of Paragraph (3) of Subsection B of 19.15.17.9 NMAC
☐ Siting Criteria Compliance Demonstrations (required for on-site closure) - 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 - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC

NMAC

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

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 H₂S, 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

Proposed Closure: 19.15.17.13 NMAC

Type: ☐ Drilling ☐ Workover ☐ Emergency ☐ Cavitation ☐ Permanent Pit ☐ Below-grade Tank ☒ Closed-loop System ☐ Alternative

Proposed Closure Method: ☒ Waste Excavation and Removal (~~Excavation and~~ **Haul-off Bins**)
☐ On-site Closure Method (only for temporary pits and closed-loop systems)
☐ In-place Burial ☐ On-site Trench Burial
☐ Alternative Closure Method (Exceptions must be submitted to the Santa Fe Environmental Bureau for consideration)

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 may require administrative approval from the appropriate district office or may be considered an exception which must be submitted to the Santa Fe Environmental Bureau office for consideration of approval. Justifications and/or demonstrations of equivalency are required. Please refer to 19.15.17.10 NMAC for guidance.

- | | |
|---|---|
| Ground water is less than 50 feet below the bottom of the buried waste.
- NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells | <input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> NA |
| Ground water is between 50 and 100 feet below the bottom of the buried waste
- NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells | <input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> 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 | <input type="checkbox"/> Yes <input type="checkbox"/> No
<input type="checkbox"/> NA |
| Within 300 feet of a continuously flowing watercourse, or 200 feet of any other watercourse, lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark).
- Topographic map; Visual inspection (certification) of the proposed site | <input type="checkbox"/> Yes <input type="checkbox"/> 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 | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Within 500 horizontal feet of a private, domestic fresh water well or spring that less than five households use for domestic or stock watering purposes, or within 1000 horizontal feet of any other fresh water well or spring, in existence at the time of initial application.
- NM Office of the State Engineer - iWATERS database; Visual inspection (certification) of the proposed site | <input type="checkbox"/> Yes <input type="checkbox"/> 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 | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Within 500 feet of a wetland.
- US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Within the area overlying a subsurface mine.
- Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Within an unstable area.
- Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources; USGS; NM Geological Society; Topographic map | <input type="checkbox"/> Yes <input type="checkbox"/> No |
| Within a 100-year floodplain.
- FEMA map | <input type="checkbox"/> Yes <input type="checkbox"/> No |

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

Waste Removal Closure For Closed-loop Systems That Utilize 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.*

Disposal Facility Name: Controlled Recovery Inc. Disposal Facility Permit Number: R-9166

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 F of 19.15.17.13 NMAC
- ☐ Construction and Design of Burial Trench (if applicable) 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 Subsection F of 19.15.17.13 NMAC
- ☐ Waste Material Sampling Plan - based upon the appropriate requirements of Subsection F 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 I of 19.15.17.13 NMAC
- ☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

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): Brad D. Burks Title: General Manager

Signature: Brad D. Burks Date: June 25, 2008

e-mail address: office@bkxcorp.com Telephone: 918.582.3855

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

OCD Representative Signature: Jim W. Green Approval Date: 6/30/08

Title: District II Supervisor OCD Permit Number: 022508

Closure Report (required within 60 days of closure completion): Subsection K of 19.15.17.13 NMAC

☐ Closure Completion Date: _____

Closure Method:

- ☐ Waste Excavation and Removal ☐ On-Site Closure Method ☐ Alternative Closure Method
- ☐ If different from approved plan, please explain.

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
- ☐ Proof of Deed Notice (if applicable)
- ☐ Plot Plan
- ☐ Confirmation Sampling Analytical Results
- ☐ Waste Material Sampling Analytical Results
- ☐ 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

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 A

Attachment to OCD Form C-144 Closed-Loop Mud System Permit Application June 25, 2008

DESIGN PLAN (19.15.17.11 NMAC, Design and Construction Specifications)

- A. General:** Proposed well will utilize a closed-loop drilling mud system. Such a system effectively filters and separates drill cuttings from the drilling mud to enable the haul-off and disposal of the drill cuttings to an approved disposal facility, thereby avoiding on-site disposal of the drill cuttings. Upon the completion of the drilling phase of the well, all mud liquid will be hauled to an approved disposal facility.
- B. Stockpiling of Topsoil:** The proposed closed-loop system is comprised of filtering, separation, and temporary storage equipment. As the storage equipment is filled during drilling operations, contents of the equipment are hauled off-site to an approved disposal facility. There will be no impact to the surface of the earth in the proposed equipment configuration; thus, no stockpiling of topsoil will occur.
- C. Signs:** The proposed closed-loop system will be located adjacent to the well to be drilled. In that regard, the well and closed-loop systems will be signed under the requirements of 19.15.3.103 NMAC.
- D. Fencing:** Due to the type of surface-set equipment used in the closed-loop system, there will be no depression in the surface of the earth to require fencing. Furthermore, the open-top steel vessels utilized, to contain drilling liquids and solids, are typically seven feet tall, or more, thereby restricting access to the public and to wildlife.
- E. Netting:** Due to the design of the steel containment vessels containing the drilling solids and mud, netting or screening of the vessels is not necessary, nor is feasible due to the filtering and separation equipment mounted over the open-top vessels.
- F. Temporary Pits:** Temporary in-ground pits will not be utilized in this closed-loop system. Upon the filling of temporary storage equipment (aka haul-off bin), a truck is utilized to transport the drill cuttings and bin off-site to an approved disposal facility.
- G. Permanent Pits:** Permanent pits will not be utilized in this closed-loop system, for the reasons provided above under Temporary Pits.
- H. Closed Loop System:** The proposed system herein will ensure the confinement of all drilling liquids and solids to prevent releases of said products onto the surface of the earth. Steel vessels will be utilized to hold liquids and solids, prior to haul-off to an approved disposal facility. Furthermore, filtering and separation equipment are mounted over the steel vessels, thereby preventing releases upon the surface of the earth. Piping between the vessels utilizes valves and clamps to prevent surface releases. The system proposed will not utilize temporary or permanent pits, nor will utilize a drying pad for the drill cuttings. During the operation of the system, drill cuttings separated from the drilling mud will be placed into steel, open-top haul-off bins. Those bins, once filled to a safe level with solids, are hauled to an approved disposal facility. Liquid pumps are available to remove any discharge of liquids into the haul-off bins, for return back into the closed-loop vessel system.
- I. Below-grade tanks:** No such tank is of use in this closed-loop system, and will not be utilized.
- J. On-Site Trenches:** A trench is not necessary in this closed-loop system, and will not be utilized.

OPERATING AND MAINTENANCE PLAN (19.15.17.12 NMAC Operational Requirements)

- A. General:** The proposed closed-loop mud system will be designed and operated in a manner to maintain the integrity of its liquid and solid containment capabilities, to prevent the contamination of fresh water, and to protect public health and the environment. The equipment will be continuously monitored for conditions that might lead to unintended waste discharge, including the maintaining of liquids and solids levels a safe distance below the maximum, full level of the storage equipment (aka freeboard).

All drilling liquids utilized in the closed-loop system will be removed from the system upon completion of drilling operations and trucked off-site to a division approved disposal facility, exercising all possible precautions to prevent the contamination of fresh water and to protect public health and the environment.

Discharge into, or storage of, any hazardous waste into the closed-loop system will not be allowed.

The proposed closed-loop system will not utilize any type of earthen pit, or other earthen feature, thereby precluding the need for pit liners and the integrity thereof.

Should the closed-loop system develop a leak onto the surface of the earth, then procedures will be followed to remove all liquids from the ground, including any contaminated soil. After notice is furnished to the appropriate division district office, such contaminants will be hauled off-site to an approved disposal facility. All efforts will be made to repair the equipment to prevent additional discharges.

Withdrawal of liquids and solids from the closed-loop system's open-top steel containment vessels will be accomplished via fluid jets and hoses, discharging said wastes into liquid transport trucks and hauled off-site to an approved disposal facility.

Since there will be no earthen pit of any kind on-site, and since the closed-loop system is comprised of self-contained, steel vessels situated on top of the surface of the earth, there will be no impact to the equipment or environment due to surface water run-on. Likewise, since no earthen pit will be utilized, and due to the containment properties of the closed-loop system, the requirement to equip an earthen pit with oil absorbent devices is not applicable.

- B. Temporary Pits:** There are no plans to install a temporary pit, as there is no need for such with the proposed closed-loop mud system.
- C. Permanent Pits:** There are no plans to install a permanent pit, since all drilling mud liquids and solids will be withdrawn from the closed-loop system and hauled off-site to an approved disposal facility.
- D. Below-grade Tanks:** Below-grade tanks will not be utilized in the closed-loop mud system.
- E. Sumps:** Sumps will not be utilized in the proposed closed-loop system.

CLOSURE PLAN (19.15.17.9 Subsection C and 19.15.17.13 NMAC, Closure Requirements)

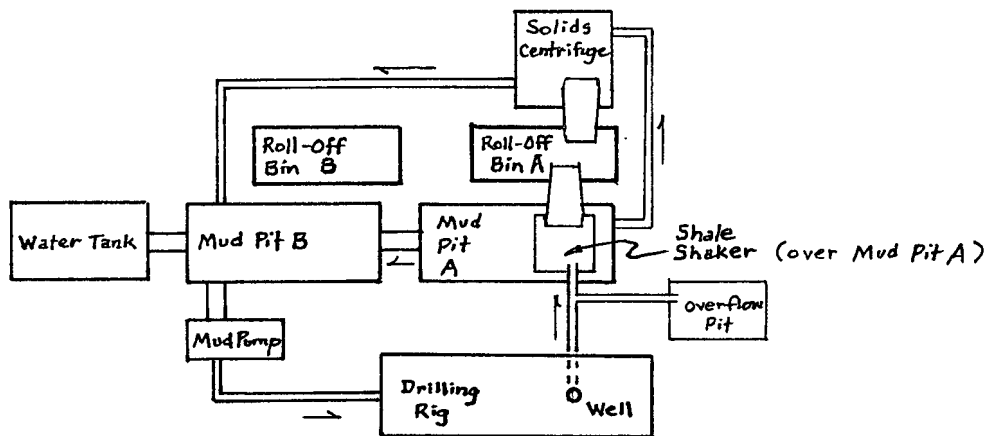
- A. Closure Time Requirement:** The proposed closed-loop mud system will be evacuated of all drilling mud liquids and solids within two weeks of the completion of the drilling phase of the proposed well. Upon evacuation of the drilling wastes, the steel vessels of the system will be trucked off-site, to allow for commencement of completion operations on the well. The evacuated wastes will be hauled off-site to an approved disposal facility. As there are no earthen pits of any kind, a formal earthen pit closure plan is not applicable. Likewise, the proposed closed-loop system will not utilize a drying pad, nor utilize any type of below-grade tank, thereby precluding the need for a formal closure plan.
- B. Temporary Pit Closure:** A temporary pit will not be constructed for the proposed closed-loop system. In that regard, a closure plan is not applicable.
- C. Permanent Pit Closure:** A permanent pit will not be constructed for the proposed closed-loop system. In that regard, a closure plan is not applicable.
- D. Closed-Loop Closure:** Although a closed-loop mud system is proposed, it will not utilize any earthen pit or drying pad. In those regards, a closure plan is not applicable. All wastes generated by the drilling of the proposed well will be withdrawn from the steel vessels of the system and hauled off-site to an approved disposal facility. All waste, stored temporarily on-site in steel containment vessels (aka haul-off bins), is trucked off-site once the waste level nears the top of the containment vessels.
- E. Below-grade Tank Closure:** No below-grade tank will be installed. In that regard, a closure plan is not applicable.
- F. On-site Closure:** This proposal does not consider on-site closure as an option, and will not be pursued. In that regard, a closure plan is not applicable.
- G. Pit and Pad Reclamation:** No pits or drying pads are planned for the closed-loop system. In that regard, a reclamation statement is not applicable.
- H. Soil Cover Design:** No pits or drying pads or below-grade tanks are planned for the closed-loop system. In that regard, a soil cover design is not applicable.
- I. Re-vegetation:** No pits or drying pads or below-grade tanks are planned for the closed-loop system. In that regard, a re-vegetation plan of those activities is not applicable.
- J. Closure Notice:** There are no pits, drying pads, below-grade tanks, trenches, or on-site disposal planned. In that regard, a closure notice is not applicable.
- K. Closure Report:** As proposed, the closed-loop system will not utilize an earthen feature of any kind. In that regard, a closure report is not applicable.

EXHIBIT B

Form C-144

Well
Access
Road

Well Location Boundary



Well Location Boundary

CLOSED - LOOP
MUD SYSTEM