

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 NMOC 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: CHEVRON U.S.A. INC. OGRID # 4323  
Address 15 SMITH ROAD, MIDLAND, TEXAS 79705  
Facility or well name SKELLY UNIT #960  
API Number: 30-015-34326 OCD Permit Number 210486  
U/L or Qtr/Qtr L Section 14 Township 17-S Range 31-E County EDDY 2310' FSL, & 330' FWL  
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 **CONTROLLED RECOVERY INC.** Disposal Facility Permit Number **R9166-NM-01-0000**  
Disposal Facility Name: \_\_\_\_\_ 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) **DENISE PINKERTON** Title **REGULATORY SPECIALIST**

Signature \_\_\_\_\_ Date **05-10-2010**

e-mail address **lpinkert@chevron.com** Telephone **432-687-7375**

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

OCD Representative Signature: \_\_\_\_\_

Approval Date: \_\_\_\_\_

Title: \_\_\_\_\_

**Geologist**

OCD Permit Number: \_\_\_\_\_

**210486**

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 **CONTROLLED RECOVERY INC.**

Disposal Facility Permit Number: R9166-NM-01-0000

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 \_\_\_\_\_

## Closed Loop Operation & Maintenance Procedure

All drilling fluids are circulated over shakers and through steel work-over tanks.

Fines from shaker are dropped into stand by metal tank.

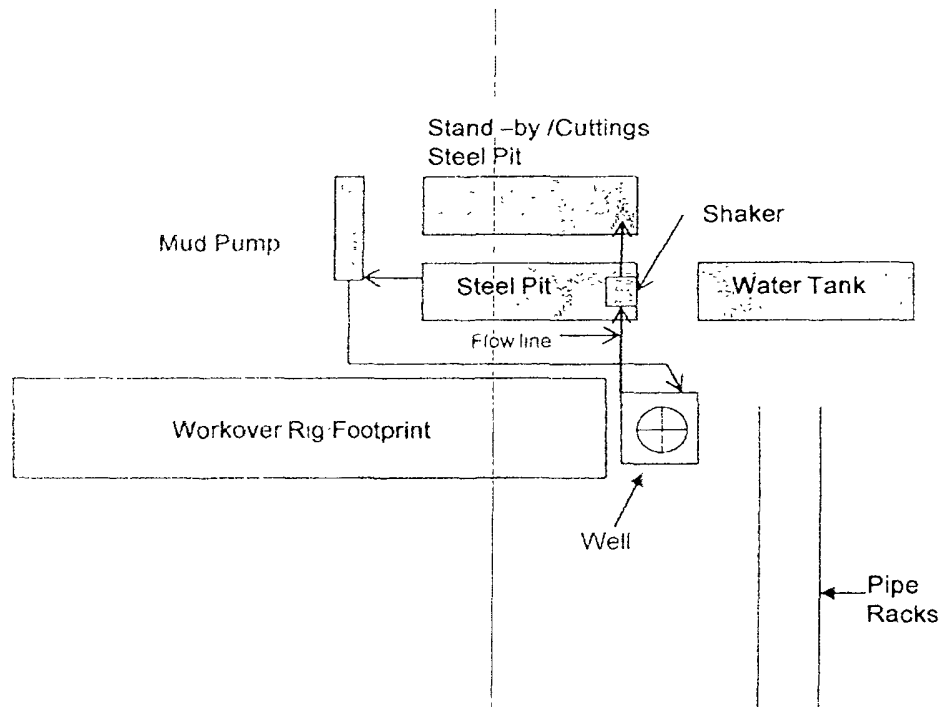
Additional tanks are used to capture unused drilling fluid or cement returns from casing jobs, as necessary.

At end of job, drilling fluid is disposed in a proper off location 3<sup>rd</sup> party injection well while fines are disposed of at a proper 3<sup>rd</sup> party waste disposal site.

This equipment will be maintained by rig crews that are on location.

COG Operating LLC

Closed Loop Equipment Diagram –  
Yeso Deepenings



Skelly Unit 960  
Chevron USA Inc.  
30-015-34326  
June 9, 2010  
Conditions of Approval

1. Work to be complete within 1 year.
2. Surface disturbance beyond the existing pad requires prior approval.
3. Closed loop system to be used.
4. H2S monitoring equipment should be onsite for personnel protection from surrounding oil operations. Operator should not encounter H2S while deepening.
5. BOP to be tested to **1000 psi** based on BHP expected.
6. Variance for stand-off of less than 0.422" is approved due to NMOCD classifying the formations in this area as the Yeso group.
7. Variance approved for a minimum tie back of 100'. When plugged, cement plug will be required across this tie back and across squeezed perforations.
8. Variance for not testing seal also approved based on NMOCD classification of formations in this area as the Yeso group.
9. If cement does not circulate to DV tool, the appropriate BLM office is to be notified.
10. Test casing as per Onshore Order 2.III.B.1.h.
11. Subsequent sundry detailing work and current well test data are to be submitted when work is complete.

**CRW 060910**