

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 CLEZ
Revised August 1, 2011

For closed-loop systems that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure, submit to the appropriate NMOCD District Office.

Closed-Loop System Permit or Closure Plan Application

(that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure)

Type of action: ☐ Permit ☐ Closure

Instructions: Please submit one application (Form C-144 CLEZ) per individual closed-loop system request. For any application request other than for a closed-loop system that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure, please submit a Form C-144.

Please be advised that approval of this request does not relieve the operator of liability should operations result in pollution of surface water, ground water or the environment. Nor does approval relieve the operator of its responsibility to comply with any other applicable governmental authority's rules, regulations or ordinances.

1. Operator: <u>THREE RIVERS OPERATING CO., LLC</u> OGRID #: <u>272295</u>	
Address: <u>1122 S. CAPITAL OF TX HWY., #325, AUSTIN, TX 78746</u>	
Facility or well name: <u>YELLOWSTONE 3 FEDERAL #3</u>	
API Number: <u>30-015-39823</u>	OCD Permit Number: <u>212487</u>
U/L or Qtr/Qtr <u>L</u> Section <u>3</u> Township <u>26S</u> Range <u>25E</u> County: <u>EDDY</u>	
Center of Proposed Design: Latitude <u>32.069800</u> Longitude <u>104.389470</u>	NAD: <input checked="" type="checkbox"/> 1927 <input type="checkbox"/> 1983
Surface Owner: <input checked="" type="checkbox"/> Federal <input type="checkbox"/> State <input type="checkbox"/> Private <input type="checkbox"/> Tribal Trust or Indian Allotment	
2. <input type="checkbox"/> Closed-loop System: Subsection H of 19.15.17.11 NMAC Operation: <input type="checkbox"/> Drilling a new well <input type="checkbox"/> Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent) <input type="checkbox"/> P&A <input checked="" type="checkbox"/> Above Ground Steel Tanks or <input type="checkbox"/> Haul-off Bins	
3. Signs: Subsection C of 19.15.17.11 NMAC <input type="checkbox"/> 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers <input checked="" type="checkbox"/> Signed in compliance with 19.15.16.8 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. <input checked="" type="checkbox"/> Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC <input checked="" type="checkbox"/> Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC <input checked="" type="checkbox"/> 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 <input type="checkbox"/> Previously Approved Design (attach copy of design) API Number: _____ <input type="checkbox"/> 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: <u>CRI (CONTROLLED RECOVERY, INC.)</u> Disposal Facility Permit Number: <u>NM-01-003</u> Disposal Facility Name: <u>SUNDANCE SERVICES, INC.</u> Disposal Facility Permit Number: <u>R-9166</u> 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? <input type="checkbox"/> Yes (If yes, please provide the information below) <input type="checkbox"/> No Required for impacted areas which will not be used for future service and operations. <input type="checkbox"/> Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC <input type="checkbox"/> Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC <input type="checkbox"/> 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): <u>MIKE DANIEL</u> Title: <u>OPERATIONS ENGINEER</u> Signature: <u>[Signature]</u> Date: <u>02/02/2012</u> e-mail address: <u>mdaniel@3rnr.com</u> Telephone: <u>512-706-9850</u>	

7.
OCD Approval: ☒ Permit Application (including closure plan) ☐ Closure Plan (only)
 OCD Representative Signature: RDade Approval Date: 02/08/2012
 Title: Asst R Supervisor OCD Permit Number: 212487

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 identify 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

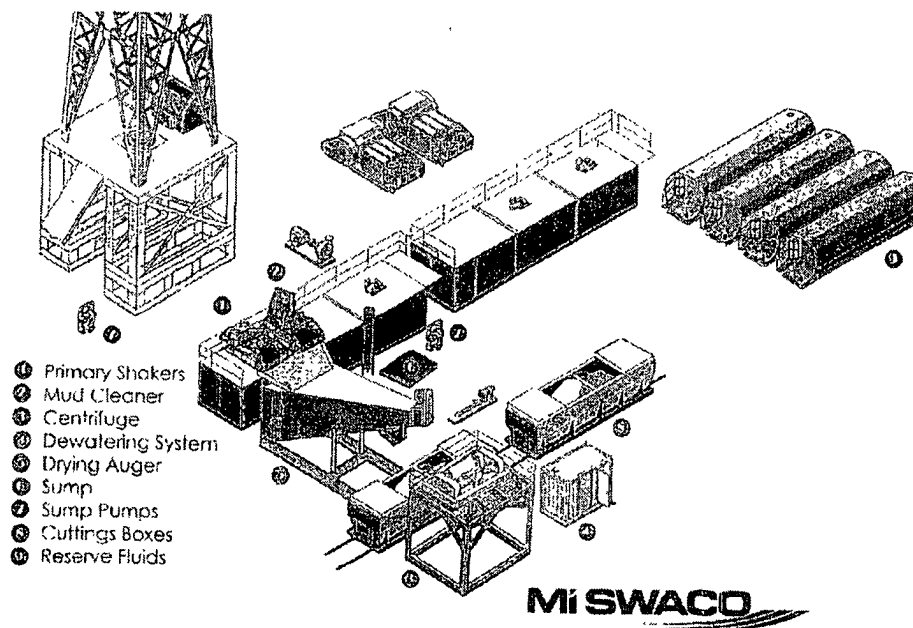
10.
Operator Closure Certification:
 I hereby certify that the information and attachments submitted with this closure report is true, accurate and complete to the best of my knowledge and belief. I also certify that the closure complies with all applicable closure requirements and conditions specified in the approved closure plan.
 Name (Print): _____ Title: _____
 Signature: _____ Date: _____
 e-mail address: _____ Telephone: _____

FIGURE 1

CLOSED LOOP SYSTEM

Three Rivers Operating Company, LLC

Yellowstone 3 Federal #3



Note: Exact equipment and layout configuration may vary dependent upon Rig utilized and Vendor availability.

THREE RIVERS OPERATING COMPANY, LLC

Yellowstone 3 Federal #3

Closed Loop System

Operating and Maintenance Procedures

And

Closure Plan

Operating Procedures

Three Rivers Operating Company will utilize a closed loop system to collect and process drilling fluids and solids generated during drilling operations on the Airstrip 6 State #2H. This system (see Figure 1) will be monitored, serviced, and maintained 24 hours daily by Rig Personnel. All liquids and solids will be contained in steel vessels.

Drilling fluids will be recycled and reused on location or stored for utilization on subsequent wells. Surplus fluids will be transported to an approved Disposal Site.

Solids will be separated from the drilling fluids and transferred to transport container. The containers will be trucked to an approved Disposal Site for solids disposal.

No hazardous materials will be discharged into the Closed Loop System.

Closure Plan

Upon the conclusion of drilling operations, the closed loop system will be removed from the well site. Upon completion of testing and facility installation operations, the location pad size will be reduced to the minimum allowed for safe and efficient operation. Stockpiled surface materials will be utilized to restore the location to as original condition as feasible.