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: Three Rivers Operating Company LLC OGRID #: 272295
Address: 1122 South Capital of Texas Highway, Suite 325, Austin, TX 78746
Facility or well name: State 151729 3ROC #3
API Number: 30-015- 40527 OCD Permit Number: 213254
U/L or Qtr/Qtr K Section 15 Township 17 S Range 29 E County: Eddy
Center of Proposed Design: Latitude 32° 49' 56.04" N Longitude 104° 03' 49.52" W 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 19.15.16.8 NMAC

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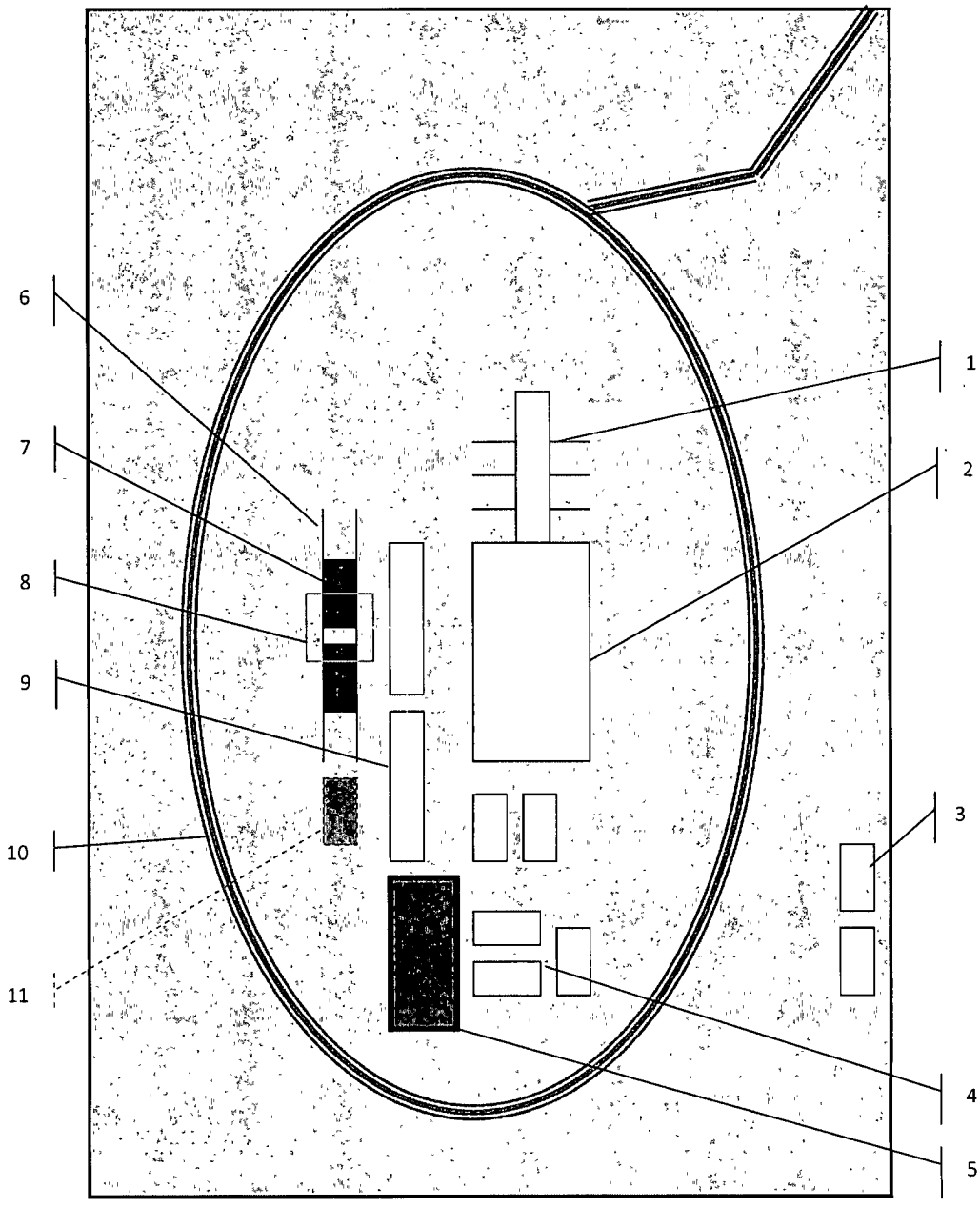
NMOCD ARTESIA

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 indentify 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: NM-01-0006 (mud)
Disposal Facility Name: Gandy Marley Inc. Disposal Facility Permit Number: NM-01-0019 (brine)
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

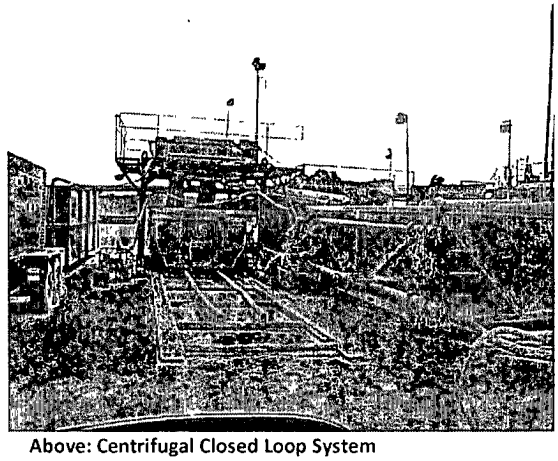
6.
Operator Application Certification:
I hereby certify that the information submitted with this application is true, accurate and complete to the best of my knowledge and belief.
Name (Print): Brian Wood Title: Consultant
Signature: B. Wood Date: 7-16-12
e-mail address: brian@permitswest.com Telephone: 505 466 8120



Schematic Closed Loop Drilling Rig*

1. **Pipe Rack**
2. **Drill Rig**
3. **House Trailers/ Offices**
4. **Generator/Fuel/Storage**
5. **Overflow-Frac Tank**
6. **Skids**
7. **Roll Offs**
8. **Hopper or Centrifuge**
9. **Mud Tanks**
10. **Loop Drive**
11. Generator (only for use with centrifuge)

*Not drawn to scale: Closed loop system requires at least 30 feet beyond mud tanks. Ideally 60 feet would be available



Above: Centrifugal Closed Loop System

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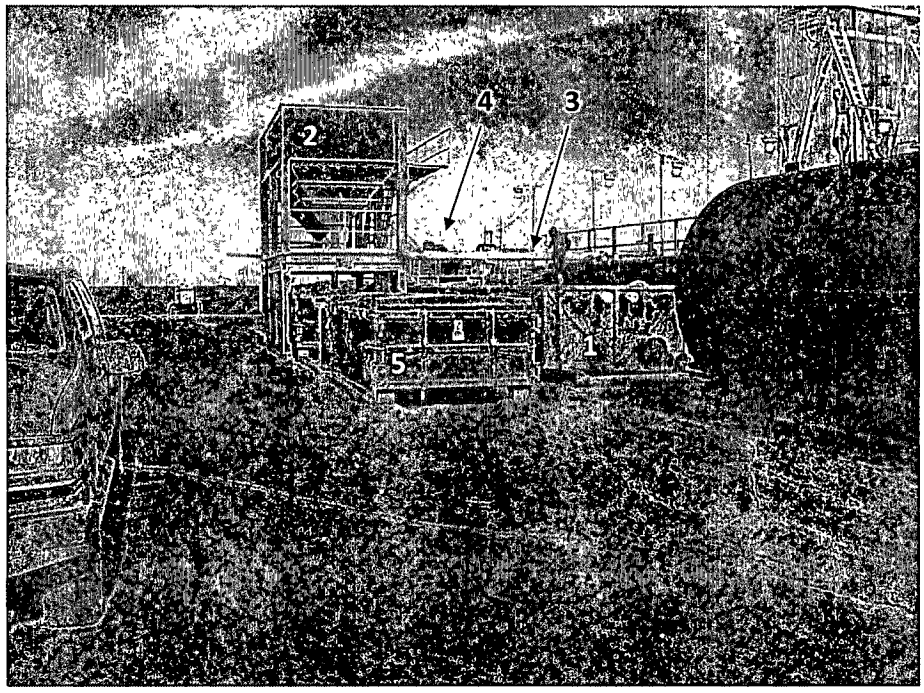
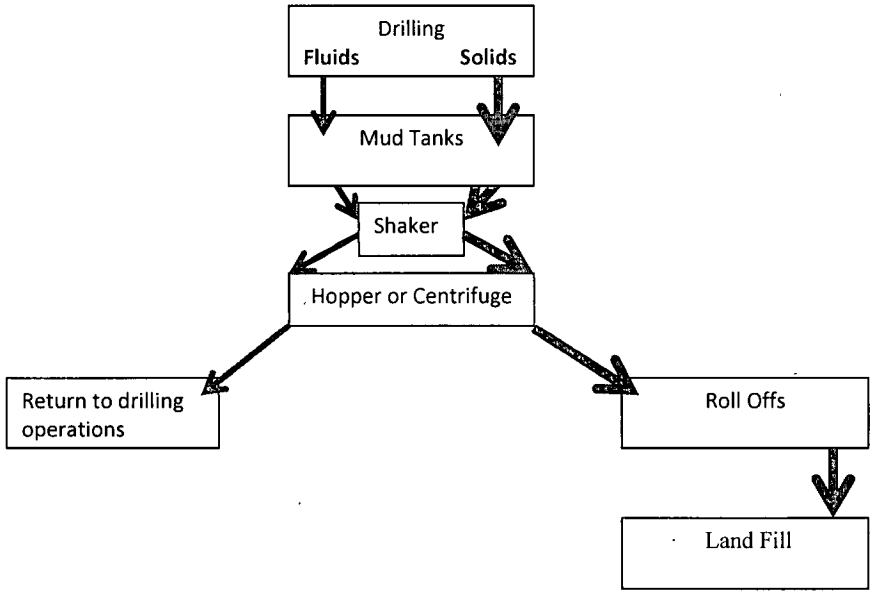


Closed Loop Drilling System: Mud tanks to right (1)
Hopper in air to settle out solids (2)
Water return pipe (3)
Shaker between hopper and mud tanks (4)
Roll offs on skids (5)

Flow Chart for Drilling Fluids and Solids



Photos Courtesy of Gandy Corporation Oil Field Service

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Three Rivers Operating Company LLC
Closed Loop System Plan
Design, Operation & Maintenance, and Closure Plan

Design

The closed loop system plan (CLSP) uses above ground steel tanks, roll off bins, and overflow-frac tanks suitable for holding the cuttings and fluids from rig operations. These containers will be sufficient in volume to maintain a safe free board between disposal of liquids and solids. There will be no drying pad, temporary pit, below grade tank, or sump. (A document showing a schematic of a typical well pad and closed loop system (CLS) is attached.)

- Signage will comply with 19. 15. 3. 103. NMAC
- Frac tanks to store fresh water will be on location
- No fence is required for this above ground CLSP

Operation & Maintenance

1) The steel above ground tanks will contain liquids and solids to prevent the contamination of fresh water sources.
2) Liquids & solids will either be vacuumed out separately or hauled off in roll off bins. Disposal will occur at appropriate OCD licensed facilities on a periodic basis to prevent over topping. Solids will be trucked to Controlled Recovery's facility (NM-01-0006) in 27-20s-32e. Liquids will be trucked to the Gandy Marley facility (NM-01-0019) in 4-11s-31e.
3) No hazardous waste, miscellaneous solid waste or debris will be discharged into or placed in the tanks. Only fluids or cuttings used or generated by rig operations will be placed or stored in the tanks.
4) No waste will be disposed of or buried on location.
5) All of the operations will be inspected and a log will be signed daily during rig operations.
6) Upon discovery of a compromised closed loop tank, repairs will begin immediately. The OCD district office will be notified within 48 hours of discovery of any compromise.

Closure

1) The closed loop tanks will be closed in accordance with 19. 15. 17. 13. NMAC.
2) Cuttings and all remaining sludge will be transported to an appropriate OCD licensed facility immediately following completion of rig operations.
3) All remaining liquids will be transported to an appropriate OCD licensed facility.
4) Tanks will be removed from the location as part of the rig move.
5) At time of well plugging & abandonment, the entire well site will be reclaimed and re-vegetated to preexisting conditions when possible.