

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

RECEIVED

JAN 07 2013

NMOCD ARTESIA

State of New Mexico
Energy, Minerals and Natural Resources
Oil Conservation Division
220 South St. Francis Dr.
Santa Fe, NM 87505

HOBBS OCD

DEC 28 2012

Form C-129
Revised June 10, 2003

Submit 3 Copies to appropriate
District Office

NFO Permit No. RECEIVED

(For Division Use Only)

APPLICATION FOR EXCEPTION TO NO-FLARE RULE 306

(See Rule 306 and Rule 1129)

A. Applicant XTO ENERGY INC.

whose address is 200 N. LORAIN, STE. 800 MIDLAND, TX 79701

hereby requests an exception to Rule 306 for 14 days or until

JANUARY 7, Yr 13, for the following described tank battery (or LACT):

Name of Lease NASH UNIT Name of Pool NASH DRAW; DELAWARE/BS (AVALON)

Location of Battery: Unit Letter F Section 14 Township 23S Range 29E

Number of wells producing into battery 3

B. Based upon oil production of 245 barrels per day, the estimated * volume

of gas to be flared is 42,000 MCF; Value 3.0 MCF per day.

C. Name and location of nearest gas gathering facility:

DCP - LOVING, NM

D. Distance _____ Estimated cost of connection _____

E. This exception is requested for the following reasons: DCP PLANT PROBLEMS

OPERATOR

I hereby certify that the rules and regulations of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief.

Signature Sherry Pack

Printed Name
& Title Sherry Pack

E-mail Address sherry_pack@xtoenergy.com

Date 12-26-12 Telephone No. 432.620.6709

OIL CONSERVATION DIVISION

Approved Until 1/7/13

By Russ R. Dade

Title Dist. Office Supervisor

Date 1/7/13

* Gas-Oil ratio test may be required to verify estimated gas volume.

**Murchison Oil & Gas, Inc.
Yogi Bear State Com #1
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. Anticipated facilities are Controlled Recovery's facility (NM-01-0006) or Sundance's facility (NM-01-0003).
- 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.