

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

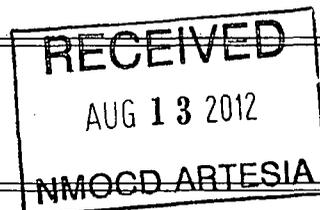
Instructions: Please submit one application (Form C-144 CLEZ) per individual closed-loop system request. For any application request other than for a closed-loop system that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure, please submit a Form C-144.

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: JALAPENO CORPORATION OGRID #: 26307  
Address: PO BOX 1608; ALBUQUERQUE, NEW MEXICO 87103-1608  
Facility or well name: ACIETE NEGRA #4  
API Number: 30-005-62245 OCD Permit Number: 213310  
U/L or Qtr/Qtr P Section 12 Township 9S Range 27E County: CHAVES  
Center of Proposed Design: Latitude 33.559016 'N Longitude -104.139633 '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



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: Gandy Marley Landfarm Disposal Facility Permit Number: NM 711-01-0019  
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): H. Emmons Yates, III Title: Geological Analyst  
Signature: H. Emmons Yates Date: August 8, 2012  
e-mail address: eyates@jalapenocorp.com Telephone: 505-242-2050

7. **OCD Approval:**  Permit Application (including closure plan)  Closure Plan (only)  
OCD Representative Signature: RDade Approval Date: 8/14/2012  
Title: DIST R Spewison OCD Permit Number: 213310

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: \_\_\_\_\_

# Jalapeño Corporation

ACIETE NEGRA #4  
330' FSL & 940' FEL  
SECTION 12, T. 9-S, R. 27-E  
CHAVES COUNTY, NEW MEXICO

## DESIGN PLAN

- We will design the closed-loop system to contain all liquids and solids and prevent contamination of fresh water and protect public health and the environment.
- We will stockpile the available topsoil for use as the final cover at the time of closure.
- A 12" x 24" sign will be provided in accordance with Sub. C of 19.15.17.11.
- A surrounding perimeter fence will be installed around the entire well site.
- Drilling cuttings will be blown into and maintained in a steel tank.

## OPERATING AND MAINTENANCE PLAN

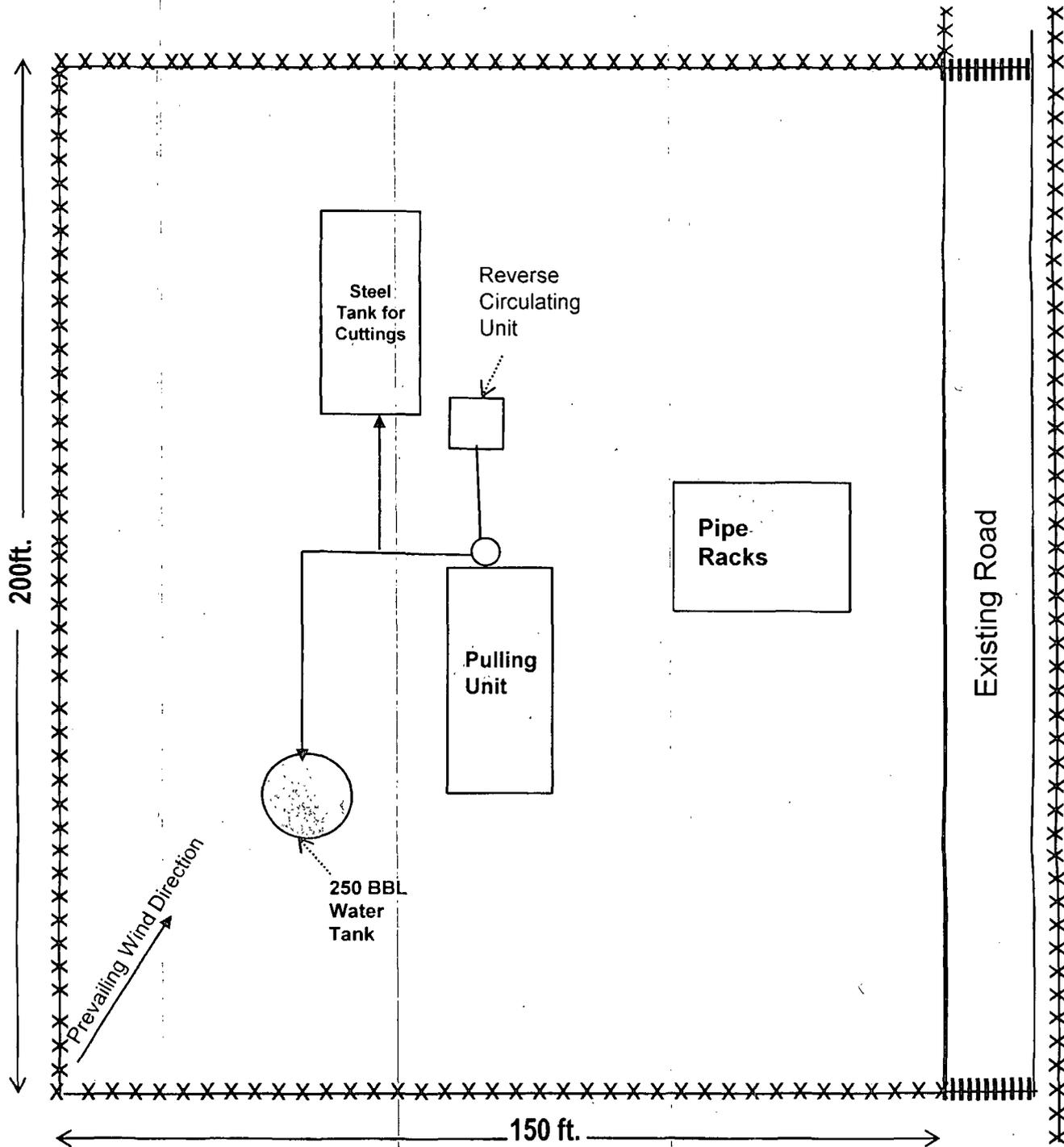
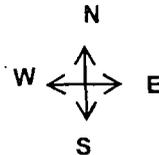
- We will operate and maintain the closed-loop system to contain all liquids and solids and prevent contamination of fresh water and protect public health and the environment.
- The equipment will be continuously monitored during operations.
- Should any leaks develop in the closed-loop system, we will remove all liquids and notify the BLM's Field office with 48 hours and we will immediately repair or replace the equipment.
- Drilling cuttings will be blown into a steel tank.
- All contaminated drilling fluids and cuttings in the steel tank will be transported to an approved disposal facilities (Gandy-Marley Landfarm, Permit #NM-0010019).

## CLOSURE PLAN

- Once we are no longer using the area associated with a closed-loop system, we will reclaim all areas associated with the closed-loop system to a safe and stable condition that blends with the surrounding undisturbed area in accordance with OCD rules and regulations.

Exhibit #2

JALAPENO CORPORATION  
ACIETE NEGRA #4



LEGEND	
---xxx---	Fence
---    ---	Cattle guard

SEC. 12 TWP. 09S RGE. 27E  
COUNTY CHAVES STATE NEW MEXICO  
DESCRIPTION 330FSL & 940FEL  
LEASE NM100542