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
Revised June 6, 2013

For temporary pits, below-grade tanks, and multi-well fluid management pits, submit to the appropriate NMOCD District Office.
For permanent pits submit to the Santa Fe Environmental Bureau office and provide a copy to the appropriate NMOCD District Office.

NM OIL CONSERVATION
ARTESIA DISTRICT
APR 22 2016
RECEIVED

Pit, Below-Grade Tank, or Proposed Alternative Method Permit or Closure Plan Application

Type of action:
- ☐ Below grade tank registration
- ☐ Permit of a pit or proposed alternative method
- ☐ Closure of a pit, below-grade tank, or proposed alternative method
- ☒ Modification to an existing permit/or registration
- ☐ Closure plan only submitted for an existing permitted or non-permitted pit, below-grade tank, or proposed alternative method

Instructions: Please submit one application (Form C-144) per individual pit, below-grade tank or alternative request

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, NM 87103
Facility or well name: KOBE 22 STATE #1
API Number: 30-005-64180 OCD Permit Number: 2-13-0007
U/L or Qtr/Qtr _____ Section 22 Township 9S Range 27E County: CHAVES
Center of Proposed Design: Latitude 33.519568° N Longitude 104.188193° W NAD: ☒ 1927 ☐ 1983
Surface Owner: ☐ Federal ☒ State ☐ Private ☐ Tribal Trust or Indian Allotment

2.
☒ **Pit:** Subsection F, G or J of 19.15.17.11 NMAC
Temporary: ☒ Drilling ☐ Workover
☐ Permanent ☐ Emergency ☐ Cavitation ☐ P&A ☐ Multi-Well Fluid Management Low Chloride Drilling Fluid ☒ yes ☐ no
☒ Lined ☐ Unlined Liner type: Thickness 20 mil ☒ LLDPE ☐ HDPE ☐ PVC ☐ Other _____
☐ String-Reinforced
Liner Seams: ☒ Welded ☒ Factory ☐ Other _____ Volume: _____ bbl Dimensions: L 60 x W 15 x D 10

3.
☐ **Below-grade tank:** Subsection I of 19.15.17.11 NMAC
Volume: _____ bbl Type of fluid: _____
Tank Construction material: _____
☐ Secondary containment with leak detection ☐ Visible sidewalls, liner, 6-inch lift and automatic overflow shut-off
☐ Visible sidewalls and liner ☐ Visible sidewalls only ☐ Other _____
Liner type: Thickness _____ mil ☐ HDPE ☐ PVC ☐ Other _____

4.
☐ **Alternative Method:**
Submittal of an exception request is required. Exceptions must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.

5.
Fencing: Subsection D of 19.15.17.11 NMAC *(Applies to permanent pits, temporary pits, and below-grade tanks)*
☐ Chain link, six feet in height, two strands of barbed wire at top *(Required if located within 1000 feet of a permanent residence, school, hospital, institution or church)*
☒ Four foot height, four strands of barbed wire evenly spaced between one and four feet
☐ Alternate. Please specify _____

6.

Netting: Subsection E of 19.15.17.11 NMAC *(Applies to permanent pits and permanent open top tanks)*

☐ Screen ☐ Netting ☐ Other_____

☐ Monthly inspections (If netting or screening is not physically feasible)

7.

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

8.

Variances and Exceptions:

Justifications and/or demonstrations of equivalency are required. Please refer to 19.15.17 NMAC for guidance.

Please check a box if one or more of the following is requested, if not leave blank:

☐ Variance(s): Requests must be submitted to the appropriate division district for consideration of approval.

☐ Exception(s): Requests must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.

9.

Siting Criteria (regarding permitting): 19.15.17.10 NMAC

Instructions: The applicant must demonstrate compliance for each siting criteria below in the application. Recommendations of acceptable source material are provided below. **Siting criteria does not apply to drying pads or above-grade tanks.**

General siting	
Ground water is less than 25 feet below the bottom of a low chloride temporary pit or below-grade tank. - ☐ NM Office of the State Engineer - iWATERS database search; ☐ USGS; ☐ Data obtained from nearby wells	☐ Yes ☒ No ☐ NA
Ground water is less than 50 feet below the bottom of a Temporary pit, permanent pit, or Multi-Well Fluid Management pit . NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	☐ Yes ☒ No ☐ NA
Within incorporated municipal boundaries or within a defined municipal fresh water well field covered under a municipal ordinance adopted pursuant to NMSA 1978, Section 3-27-3, as amended. **(Does not apply to below grade tanks)** - Written confirmation or verification from the municipality; Written approval obtained from the municipality	☐ Yes ☒ No
Within the area overlying a subsurface mine. **(Does not apply to below grade tanks)** - Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division	☐ Yes ☒ No
Within an unstable area. **(Does not apply to below grade tanks)** - Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources; USGS; NM Geological Society; Topographic map	☐ Yes ☒ No
Within a 100-year floodplain. **(Does not apply to below grade tanks)** - FEMA map	☐ Yes ☒ No
Below Grade Tanks	
Within 100 feet of a continuously flowing watercourse, significant watercourse, lake bed, sinkhole, wetland or playa lake (measured from the ordinary high-water mark). - Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within 200 horizontal feet of a spring or a fresh water well used for public or livestock consumption;. - NM Office of the State Engineer - iWATERS database search; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Temporary Pit using Low Chloride Drilling Fluid (maximum chloride content 15,000 mg/liter)	
Within 100 feet of a continuously flowing watercourse, or any other significant watercourse or within 200 feet of any lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). (Applies to low chloride temporary pits.) - Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Within 300 feet from a occupied permanent residence, school, hospital, institution, or church in existence at the time of initial application. - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☒ No
Within 200 horizontal feet of a spring or a private, domestic fresh water well used by less than five households for domestic or stock watering purposes, or 300feet of any other fresh water well or spring, in existence at the time of the initial application. NM Office of the State Engineer - iWATERS database search; Visual inspection (certification) of the proposed site	☐ Yes ☒ No

Within 100 feet of a wetland. - US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Temporary Pit Non-low chloride drilling fluid	
Within 300 feet of a continuously flowing watercourse, or any other significant watercourse, or within 200 feet of any lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). - Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within 300 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☐ No
Within 500 horizontal feet of a spring or a private, domestic fresh water well used by less than five households for domestic or stock watering purposes, or 1000 feet of any other fresh water well or spring, in the existence at the time of the initial application; - NM Office of the State Engineer - iWATERS database search; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within 300 feet of a wetland. - US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Permanent Pit or Multi-Well Fluid Management Pit	
Within 300 feet of a continuously flowing watercourse, or 200 feet of any other significant watercourse, or lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). - Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within 1000 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☐ No
Within 500 horizontal feet of a spring or a fresh water well used for domestic or stock watering purposes, in existence at the time of initial application. - NM Office of the State Engineer - iWATERS database search; Visual inspection (certification) of the proposed site	☐ Yes ☐ No
Within 500 feet of a wetland. - US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☐ No

10.

Temporary Pits, Emergency Pits, and Below-grade Tanks 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.

☐ Hydrogeologic Report (Below-grade Tanks) - based upon the requirements of Paragraph (4) of Subsection B of 19.15.17.9 NMAC
☒ Hydrogeologic Data (Temporary and Emergency Pits) - based upon the requirements of Paragraph (2) of Subsection B of 19.15.17.9 NMAC
☒ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC
☒ 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 Boxes 14 through 18, if applicable) - 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: _____ or Permit Number: _____

11.

Multi-Well Fluid Management Pit 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
☐ A List of wells with approved application for permit to drill associated with the pit.
☐ Closure Plan (Please complete Boxes 14 through 18, if applicable) - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC
☐ Hydrogeologic Data - based upon the requirements of Paragraph (4) of Subsection B of 19.15.17.9 NMAC
☐ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC

☐ Previously Approved Design (attach copy of design) API Number: _____ or Permit Number: _____

12.
Permanent Pits Permit Application 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.

- ☐ Hydrogeologic Report - based upon the requirements of Paragraph (1) of Subsection B of 19.15.17.9 NMAC
- ☐ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC
- ☐ Climatological Factors Assessment
- ☐ Certified Engineering Design Plans - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Dike Protection and Structural Integrity Design - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Leak Detection Design - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Liner Specifications and Compatibility Assessment - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Quality Control/Quality Assurance Construction and Installation Plan
- ☐ Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC
- ☐ Freeboard and Overtopping Prevention Plan - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Nuisance or Hazardous Odors, including H_2S, Prevention Plan
- ☐ Emergency Response Plan
- ☐ Oil Field Waste Stream Characterization
- ☐ Monitoring and Inspection Plan
- ☐ Erosion Control Plan
- ☐ Closure Plan - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC

13.
Proposed Closure: 19.15.17.13 NMAC
Instructions: Please complete the applicable boxes, Boxes 14 through 18, in regards to the proposed closure plan.

Type: ☒ Drilling ☐ Workover ☐ Emergency ☐ Cavitation ☐ P&A ☐ Permanent Pit ☐ Below-grade Tank ☐ Multi-well Fluid Management Pit ☐ Alternative

Proposed Closure Method: ☐ Waste Excavation and Removal
☐ Waste Removal (Closed-loop systems only)
☒ On-site Closure Method (Only for temporary pits and closed-loop systems)
☐ In-place Burial ☒ On-site Trench Burial
☐ Alternative Closure Method

14.
Waste Excavation and Removal Closure Plan Checklist: (19.15.17.13 NMAC) ***Instructions: Each of the following items must be attached to the closure plan. Please indicate, by a check mark in the box, that the documents are attached.***

- ☐ Protocols and Procedures - based upon the appropriate requirements of 19.15.17.13 NMAC
- ☐ Confirmation Sampling Plan (if applicable) - based upon the appropriate requirements of Subsection C of 19.15.17.13 NMAC
- ☐ Disposal Facility Name and Permit Number (for liquids, drilling fluids and drill cuttings)
- ☐ 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 H of 19.15.17.13 NMAC
- ☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC

15.
Siting Criteria (regarding on-site closure methods only): 19.15.17.10 NMAC
Instructions: Each siting criteria requires a demonstration of compliance in the closure plan. Recommendations of acceptable source material are provided below. Requests regarding changes to certain siting criteria require justifications and/or demonstrations of equivalency. Please refer to 19.15.17.10 NMAC for guidance.

Ground water is less than 25 feet below the bottom of the buried waste. - NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	☐ Yes ☒ No ☐ NA
Ground water is between 25-50 feet below the bottom of the buried waste - NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	☐ Yes ☒ No ☐ NA
Ground water is more than 100 feet below the bottom of the buried waste. - NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	☒ Yes ☐ No ☐ NA
Within 100 feet of a continuously flowing watercourse, or 200 feet of any other significant watercourse, lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). - Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Within 300 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☒ No
Within 300 horizontal feet of a private, domestic fresh water well or spring used for domestic or stock watering purposes, in existence at the time of initial application. - NM Office of the State Engineer - iWATERS database; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Written confirmation or verification from the municipality; Written approval obtained from the municipality	☐ Yes ☐ No
Within 300 feet of a wetland. US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site	NA ☐ Yes ☒ No
Within incorporated municipal boundaries or within a defined municipal fresh water well field covered under a municipal ordinance	

adopted pursuant to NMSA 1978, Section 3-27-3, as amended. - Written confirmation or verification from the municipality; Written approval obtained from the municipality	☐ Yes ☐ No NA
Within the area overlying a subsurface mine. - Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division	☐ Yes ☒ No
Within an unstable area. - Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources; USGS; NM Geological Society; Topographic map	☐ Yes ☒ No
Within a 100-year floodplain. - FEMA map	☐ Yes ☒ No

16.
On-Site Closure Plan Checklist: (19.15.17.13 NMAC) ***Instructions: Each of the following items must be attached to the closure plan. Please indicate, by a check mark in the box, that the documents are attached.***

- ☒ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC
- ☒ Proof of Surface Owner Notice - based upon the appropriate requirements of Subsection E of 19.15.17.13 NMAC
- ☐ Construction/Design Plan of Burial Trench (if applicable) based upon the appropriate requirements of Subsection K of 19.15.17.11 NMAC
- ☒ Construction/Design Plan of Temporary Pit (for in-place burial of a drying pad) - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☒ Protocols and Procedures - based upon the appropriate requirements of 19.15.17.13 NMAC
- ☐ Confirmation Sampling Plan (if applicable) - based upon the appropriate requirements of 19.15.17.13 NMAC
- ☒ Waste Material Sampling Plan - based upon the appropriate requirements of 19.15.17.13 NMAC
- ☒ Disposal Facility Name and Permit Number (for liquids, drilling fluids and drill cuttings or in case on-site closure standards cannot be achieved)
- ☒ Soil Cover Design - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
- ☒ Re-vegetation Plan - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
- ☒ Site Reclamation Plan - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC

17.
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): Harvey Yates, Jr. Title: President

Signature: [signature] Date: 4/19/16

e-mail address: eyates@jalapenocorp.com Telephone: 505-242-2050

18.
OCD Approval: ☐ Permit Application (including closure plan) ☒ Closure Plan (only) ☐ OCD Conditions (see attachment)

OCD Representative Signature: Mike Stratford **Approval Date:** 6/8/2016

Title: Environmental Specialist **OCD Permit Number:** 2-13-0007

19.
Closure Report (required within 60 days of closure completion): 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:** _____

20.
Closure Method:

☐ Waste Excavation and Removal ☐ On-Site Closure Method ☐ Alternative Closure Method ☐ Waste Removal (Closed-loop systems only)
☐ If different from approved plan, please explain.

21.
Closure Report Attachment Checklist: ***Instructions: Each of the following items must be attached to the closure report. Please indicate, by a check mark in the box, that the documents are attached.***

- ☐ Proof of Closure Notice (surface owner and division)
- ☐ Proof of Deed Notice (required for on-site closure for private land only)
- ☐ Plot Plan (for on-site closures and temporary pits)
- ☐ Confirmation Sampling Analytical Results (if applicable)
- ☐ Waste Material Sampling Analytical Results (required for on-site closure)
- ☐ Disposal Facility Name and Permit Number
- ☐ Soil Backfilling and Cover Installation
- ☐ Re-vegetation Application Rates and Seeding Technique
- ☐ Site Reclamation (Photo Documentation)

On-site Closure Location: Latitude _____ Longitude _____ NAD: ☐1927 ☐ 1983

22.

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: _____

JALAPENO CORPORATION

KOBE 22 STATE #1
2195' FN L & 330' FW L
SECTION 22, T. 9-S, R. 27-E
CHAVES COUNTY, NEW MEXICO

OIL CONSERVATION DIVISION (OCD) - FORM C-144

A. SITING CITERIA (REGARDING PERMITTING)
(See page 2)

B. MODIFICATION TO AN EXISTING PERMIT CHECKLIST
(See pages 3-6)

1. **HYDROGEOLOGIC DATA**
(See page 3)

2. **ON-SITE TRENCH BURIAL DESIGN PLAN**
(See pages 3)

3. **CLOSURE PLAN**
(See pages 4-6)

   a. SITE RECLAMATION PLAN
   (See page 4-5)

   b. SOIL COVER DESIGN
   (See pages 5)

   c. RE-VEGETATION
   (See page 5)

   d. STEEL MARKER FOR ON-SITE CLOSURE
   (See page 5-6)

   e. OTHER GENERAL REQUIREMENTS
   (See page 6)

C. EXHIBITS

Exhibit #1 – Dawg #1 Daily Drilling Report
Exhibit #2 – Google Map
Exhibit #3 – EMNRD MMD Active Mines Web Map
Exhibit #4 – Topography Map- Location Verification Map
Exhibit #5 – U.S. Fish and Wildlife Service- National Wetlands Inventory Map
Exhibit #6 – NM OSE Water Column/Average Depth to Water Data Sheet
Exhibit #7 – FEMA/FIRM Panel Map
Exhibit #8 – Trench Diagram

JALAPENO CORPORATION

KOBE 22 STATE #1

2195' FN L & 330' FW L
SECTION 22, T. 9-S, R. 27-E
CHAVES COUNTY, NEW MEXICO

FORM C-144 COMPLIANCE DEMONSTRATIONS:

9. SITING CRITERIA (REGARDING PERMITTING):

GENERAL SITING

Enclosed herewith are maps and documents to support siting criteria required by 19.15. 17.10 NMAC.

Attached is the first page of the Daily Drilling Report for the Dawg #1 which is located approximately 1034ft West of this proposed well location (See Exhibit #1) and was drilled with cable tools. The Dawg's drilling report shows that water was hit at 135 feet which indicates the depth of the ground water for the Kobe State #1 should also be around 135 feet and would be more than 100 feet below bottom of the onsite trench.

This well site is outside any municipal boundaries and so there is no defined municipal fresh water field covered under a municipal ordinance adopted pursuant to NMSA 1978, Section 3-27-3, as amended, within proposed well site (See Exhibit #2 & 5).

The well site is not within the area overlying a subsurface mine (See Exhibit #3) or within an unstable area (See Exhibit #4). Upon examination of the FEMA website, we found that a FIRM Panel was not printed for the proposed Kobe drill site (See Exhibit #7). Therefore we cannot verify that this well site is not within a 100-Year Flood Plain. However, because our most recent well, the Dawg #1, is 1034 feet away and is not within a flood plan, we believe with a high level of certainty the location for the Kobe is not in a flood plan of any sort.

ON-SITE TRENCH BURIAL /TEMPORARY PIT-USING LOW CHLORIDE DRILLING FLUID (maximum chloride content 15,000 mg/liter).

From our site inspection of the location and various maps, there are no continuously flowing watercourse, or any other significant watercourse within 100 feet or any significant watercourse lakebeds, sinkhole or playa lakes within 200 feet of the site (See Exhibits #2, 4 & 5).

There are no occupied permanent residences, school, hospitals, institutions or churches in existence within 300 feet of well site (See Exhibit # 2 & #4).

From the New Mexico Office of the State Engineer database and visual inspection there are no springs or private, domestic fresh water wells used by less than five household for domestic or stock watering purposes within 200 horizontal feet of the well site, and there is no record of any other fresh water wells or springs within 300 feet of the site. The closest water well appears to be 3376 feet away (Exhibit #6).

The well site is not within 300 feet of a wetland (See Exhibit #5).

Harvey E. Yates, Jr.

4/19/16
Date

JALAPENO CORPORATION

KOBE 22 STATE #1

2195' FN L & 330' FW L
SECTION 22, T. 9-S, R. 27-E
CHAVES COUNTY, NEW MEXICO

10. MODIFICATION TO AN EXISTING PERMIT CHECKLIST: Subsection B of 19.15.17.9 NMAC

☒ **HYDROGEOLOGIC DATA:**

The hydrogeologic data below provides information and detail on the site's topography, soils, geology, surface hydrology and ground water hydrology in compliance with the siting criteria of 19.15.17.10 NMAC.

1. Topography: Flat well site.(See Exhibits #2&#4).
2. Soils: Soil near the well site is mostly fine sand with some gravel (See Exhibit #2).
3. Surface Hydrology (Ponds & Streams): There are no nearby streams or ponds. The closest surface water is Sardine Lake which is approximately 4.25 miles southeast from the proposed well site and a few shallow arroyo in the area that have mesquite growing in them (See Exhibit #2 &# 5).
4. Ground water Hydrology: According to the NM OSE Website, the nearest water well appears to be 3376 feet away (Exhibit #6).

☒ **ON-SITE TRENCH BURIAL DESIGN PLAN:**

1. The trench will have a properly constructed foundation and side walls consisting of a firm, unyielding base, smooth and free of rocks, debris, sharp edges or irregularities to prevent the liner's rupture or tear.
2. Geotextile will be under the liner where needed to reduce localized stress-strain or protuberances that may otherwise compromise the liner's integrity.
3. The trench will be constructed with a geomembrane liner. The geomembrane will consist of a 20-mil string reinforced LLDPE liner or equivalent liner that the appropriate division district office approves. The geomembrane liner will be composed of an impervious, synthetic material that is resistant to petroleum hydrocarbons, salts and acidic and alkaline solutions. Liner compatibility shall comply with EPA SW-846 Method 9090A.
4. We will minimize liner seams and orient them up and down, not across, a slope. The operator will use factory welded seams where possible. Prior to field seaming, the operator will overlap liners four to six inches and orient liner seams parallel to the line of maximum slope, i.e., oriented along, not across, the slope. The operator will minimize the number of field seams in corners and irregularly shaped areas. Qualified personnel will perform field welding and testing.
5. The operator shall install sufficient liner material to reduce stress-strain on the liner.
6. We will ensure that the outer edges of all liners are secured for the deposit of the excavated waste material into the trench.

JALAPENO CORPORATION

KOBE 22 STATE #1
2195' FN L & 330' FW L
SECTION 22, T. 9-S, R. 27-E
CHAVES COUNTY, NEW MEXICO

☒ CLOSURE PLAN:

1. In preparation of moving the temporary pit contents into the onsite trench for burial, we have stabilize or solidify the temporary pit contents with soil or other non-waste material at a ratio of no more than 3:1 soil to a capacity sufficient to support the final cover.

2. We had a five-point composite sample collected and tested from contents of the pit in accordance to OCD's rules at Cardinal Laboratories and the laboratory reported the samples analysis did not exceed the OCD Table II parameters and the specified concentrations for in-place burial were met. The test results were sent to the OCD Artesia office on November 9, 2015.

3. Upon achieving all applicable waste stabilization in the temporary pit, we will close the pit by removing all contents, including synthetic liner and transfer the waste and liner to the burial trench.

4. We will then test the soil beneath the pit at a minimum of five point composite sample to include any obvious stained or wet soils, or other evidence of contamination under the liner and have those samples analyzed for the constituents listed in Table I of 19.15.17.13 NMAC.

5. If any contaminant concentration is higher than the parameter listed in Table I, we understand the OCD division may require additional delineation upon review of the results and we must receive approval before proceeding with closure.

6. If any contaminant concentration is less than or equal to the parameter listed in Table I, we will proceed to backfill the pit and if our closure plan submitted with the permit application has been approved for an on-site trench burial, we will begin that process.

7. We will fold the outer edges of the liner to overlap the waste material in the trench prior to the installation of the geomembrane cover and install a geomembrane cover over the waste material in the trench; we will install the geomembrane cover in a manner that prevents the collection of infiltration water in the trench and on the geomembrane cover after the soil cover is in place. The geomembrane cover shall consist of a 20-mil string reinforced LLDPE liner or equivalent cover that the appropriate division district office approves. The geomembrane cover shall be composed of an impervious, synthetic material that is resistant to petroleum hydrocarbons, salts and acidic and alkaline solutions; cover compatibility shall comply with EPA SW-846 Method 9090A.

Site Reclamation Plan

1. Once we have closed a trench, we shall reclaim the pit/trench location and all surround areas to a safe and stable condition that blends with the surrounding undisturbed area. We shall substantially restore the impacted surface area to the condition that existed prior to oil and gas operations by placement of the soil cover as provided in soil cover designs below, recontour the location and

associated areas to a contour that approximates the original contour and blends with the surrounding topography and re-vegetate according to re-vegetation below.

2. Areas reasonably needed for production operations or for subsequent drilling operations shall be compacted, covered, paved, or otherwise stabilized and maintained in such a way as to minimize dust and erosion to the extent practicable.

3. All other areas disturbed by the closure of trench shall be reclaimed as early and as nearly as practicable to their original condition or their final land use and shall be maintained to control dust and minimize erosion to the extent practicable.

Soil Cover Design

1. The soil cover for burial in-place trench will consist of a minimum of four feet of non-waste containing, uncontaminated, earthen material with chloride concentrations less than 600 mg/kg as analyzed by EPA Method 300.0. The soil cover shall include either the background thickness of topsoil or one foot of suitable material to establish vegetation at the site, whichever is greater. We will construct the soil cover to the site's existing grade and prevent pooling of water and erosion of the cover material.

2 Topsoils and subsoils will be replaced to their original relative positions and contoured so as to achieve erosion control, long-term stability and preservation of surface water flow patterns.

Re-vegetation

1. The disturbed area then will be reseeded in the first favorable growing season following closure of the trench.

2. We shall accomplish seeding by drilling on the contour whenever practical or by other division-approved methods. We shall obtain a uniform vegetation that reflects a life-form ratio of plus or minus fifty percent (50%) of pre-disturbance levels and a total percent plant cover of at least seventy percent (70%) of pre-disturbance levels, excluding noxious weeds and maintain that cover through two successive growing seasons. During the two growing seasons that prove viability, there shall be no artificial irrigation of the vegetation.

3. We shall notify the division when location has been seeded or planted and when this area has successfully achieves re-vegetation. We shall repeat seeding or planting until it successfully achieves the required vegetative cover.

Steel Marker for On-Site Closure

1. A steel marker will be place at the center of the on-site burial location and we will file a C-105 within 60 days of closing the trench. In our closure report with the OCD division office, we will state the exact location of the on-site burial. The steel marker will extend at least four feet above mean ground level and at least three feet below ground level. The operator name, lease name and

well number and location, including unit letter, section, township and range, and that the marker designates an on-site burial location shall be welded, stamped or otherwise permanently engraved into the metal of the steel marker.

2. No permanent structures will be built over the onsite burial without the appropriate division district office's written approval. Nor will the onsite burial marker be removed without the division's written permission.

Other General Requirements:

1. We will notify the surface owner of our intent to modify the permit from in-place closure to onsite trench burial.

2. We will not implement closure procedures until we get approval from the OCD District Office.

3. We will notify the surface owner by certified mail, return receipt requested (at the address of the surface owner shown in the Chaves county tax records) of our onsite closure operations at least 72 hours, but not more than one week, prior to any closure operation.

4. We will notify the appropriate division district office verbally and in writing at least 72 hours, but not more than one week, of our onsite closure operations. The notice shall include the operator's name, well name, API number and location. A copy of the notice will be included in the Closure report.

5. Within 60 days of closure completion, we shall submit a closure report on form C-144, with necessary attachments to document all closure activities. In the closure report, we will certify that all information in the report and attachments is correct and that the operator has complied with all applicable closure requirements and conditions specified in the approved closure plan. We will provide a plat of the trench location on form C-l 05 within 60 days of closing the trench.

EXHIBIT #1

KOBE 22 STATE #1

Jalapeno Corporation
Daily Drilling Report

Dawg #1
Well API NO. 30-005-64158
S. 21, T. 9S, R. 27E
Chaves, County

11/7/12 Well staked – (John West Surveying Company).

11/21/12 Application for Permit to Drill was approved by the BLM on this date.

1/15/13 -2/7/13 Location built. (Gene Shull)

6/3/13 Spudded well. Drilled to 6ft.

6/4/13 Drilling at 73ft in green shale. Hard drilling.

6/5/13 Drilled 73ft. to 95ft.

6/6/13 Drilled 95ft. to 130ft.

6/7/13 Drilled 130ft. to 145ft. Hit water at 135ft.

6/8/13 Shut down for the weekend.

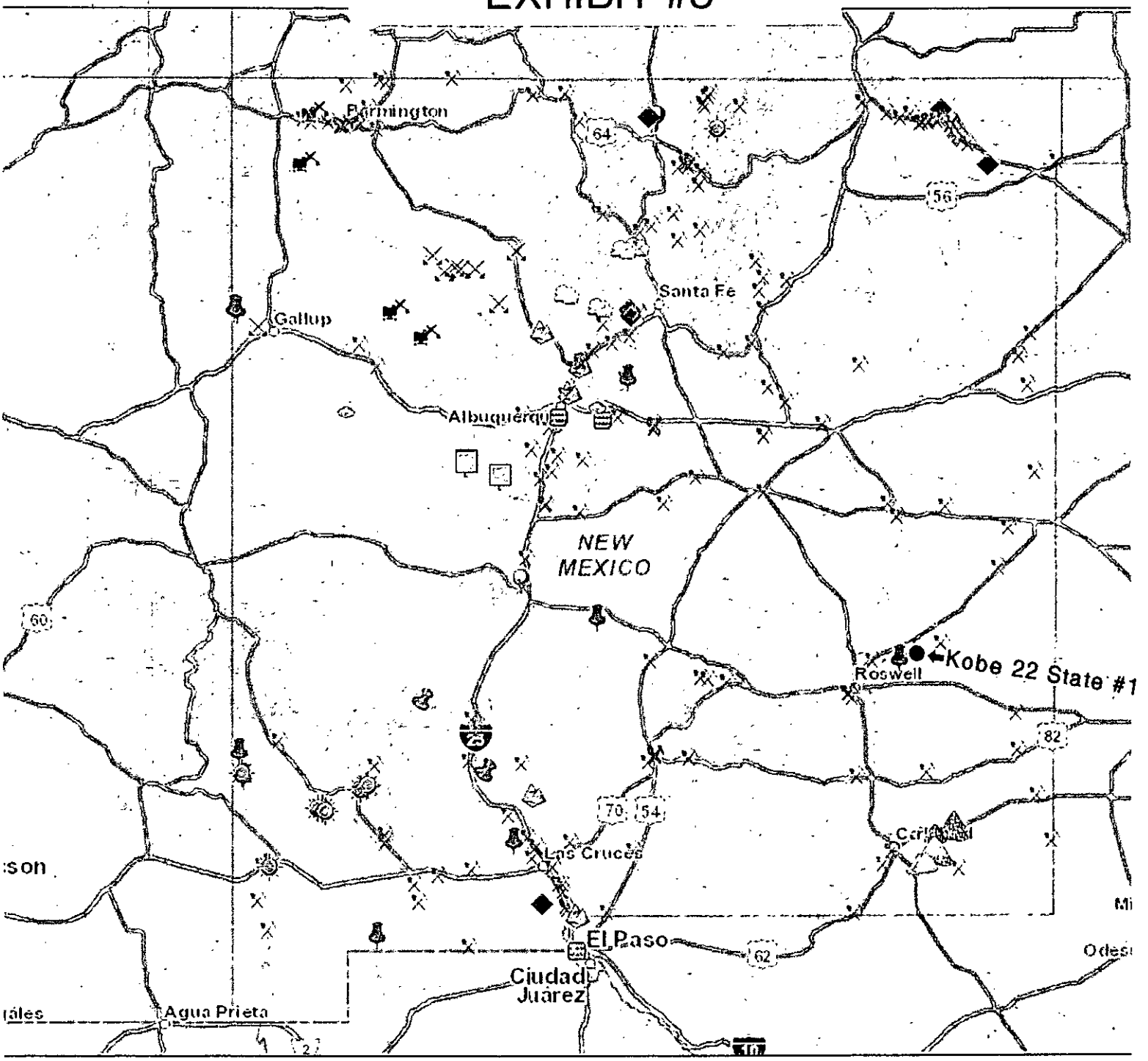
6/9/13 Shut down for the weekend.

6/10/13 Drilled 145ft. to 165ft.

6/11/13 Drilled 165ft. to 197ft. Water zone is from 135ft. to 170ft. (Estimated 30 gallons of water per minute).

EXHIBIT #2

EXHIBIT #3

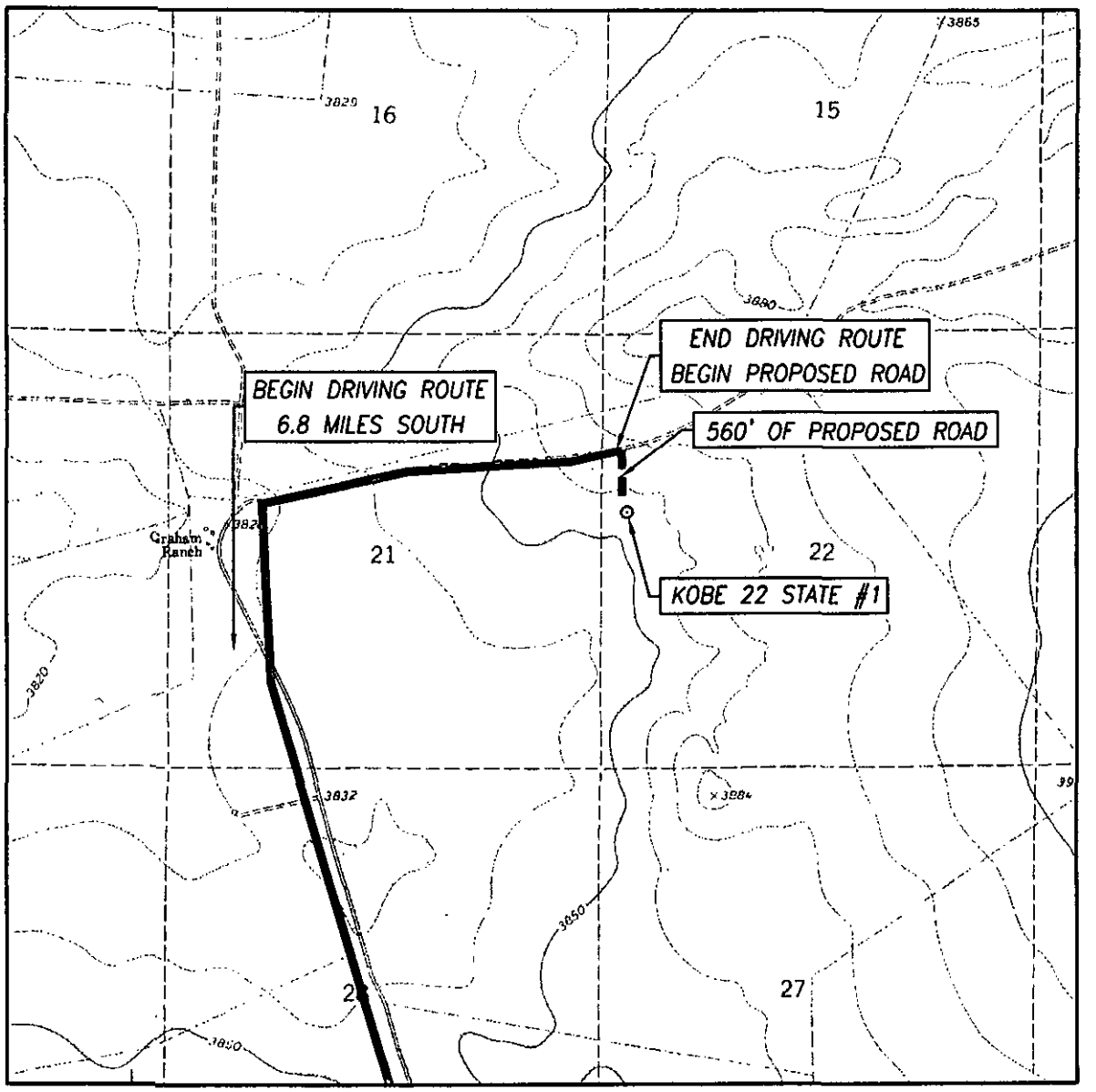


Legend

- Aggregates Etc.
- Clay & Shale / Brick
- Coal
- Gypsum
- Humate
- Limestone
- Metals
- Other
- Perlite
- Potash
- Pumice
- Salt
- Scoria
- Travertine
- Zeolites

EXHIBIT #4

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
CAMPBELL, N.M. - 10'

SEC. 22 TWP. 9-S RGE. 27-E

SURVEY N.M.P.M.

COUNTY CHAVES STATE NEW MEXICO

DESCRIPTION 2195' FNL & 330' FWL

ELEVATION 3861'

OPERATOR JALAPENO CORPORATION

LEASE KOBE 22 STATE

U.S.G.S. TOPOGRAPHIC MAP
CAMPBELL, N.M.

DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF ST. HIGHWAY #380 AND COUNTY ROAD #51 (PONDEROSA RD.) GO NORTH ON CO. RD. #51 APPROX 6.9 MILES; TURN RIGHT AND GO EAST-NORTHEAST APPROX. 0.8 MILES TO A PROPOSED ACCESS ROAD SURVEY. FOLLOW STAKED ROAD SOUTH 560 FEET TO THE NORTHWEST PAD CORNER.

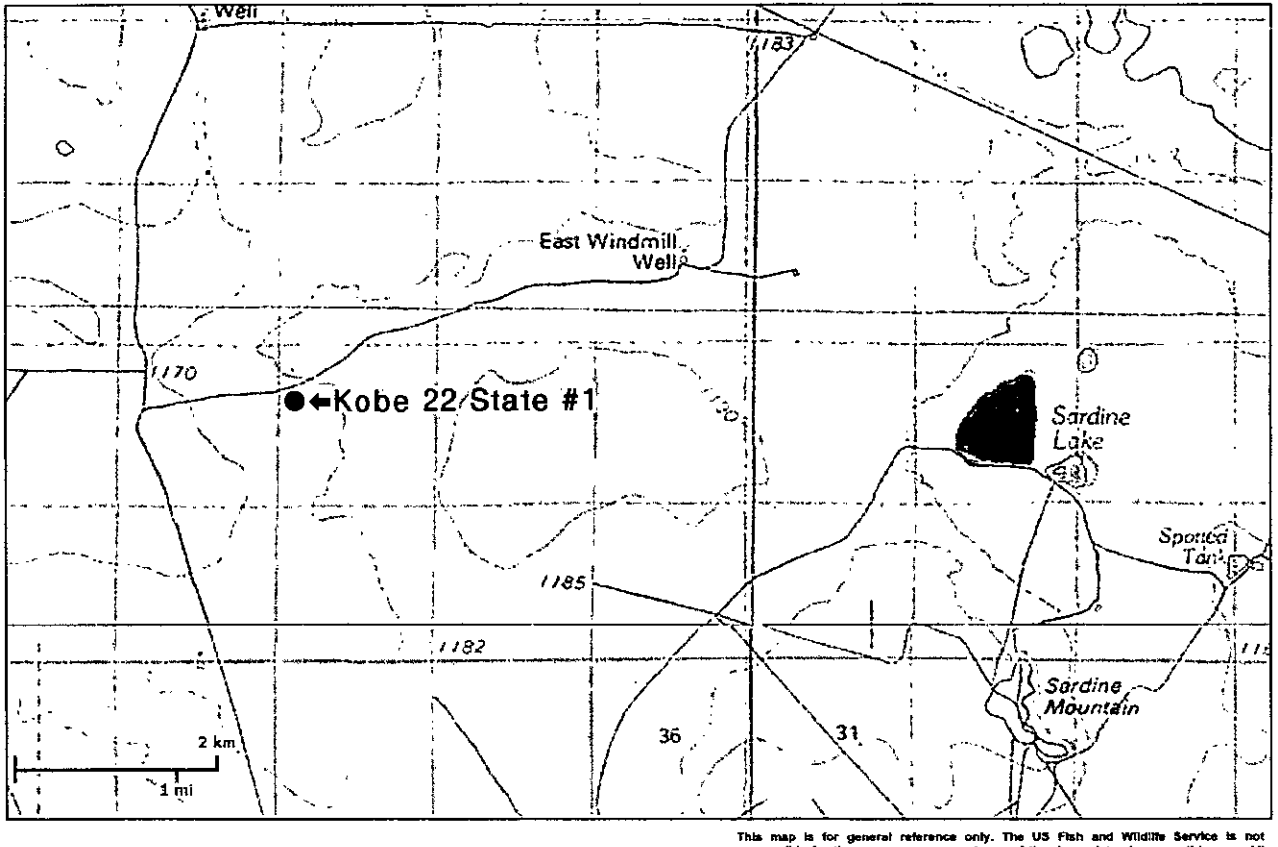
PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(575) 393-3117 www.jwsc.biz

U.S. Fish and Wildlife Service

National Wetlands Inventory

KOBE 22 STATE #1

Dec 3, 2013



Wetlands

- Freshwater Emergent
- Freshwater Forested/Shrub
- Estuarine and Marine Deepwater
- Estuarine and Marine
- Freshwater Pond
- Lake
- Riverine
- Other

This map is for general reference only. The US Fish and Wildlife Service is not responsible for the accuracy or currentness of the base data shown on this map. All wetlands related data should be used in accordance with the layer metadata found on the Wetlands Mapper web site.

User Remarks:

Sec. 22, T-9S, R-27E; 2195' FNL & 330' FWL; 33.519568, -104.188193

EXHIBIT #5

EXHIBIT #6

New Mexico Office of the State Engineer
Water Column/Average Depth to Water

(A CLW##### in the POD suffix indicates the POD has been replaced & no longer serves a water right file.)

(R=POD has been replaced, O=orphaned, C=the file is closed)

(quarters are 1=NW 2=NE 3=SW 4=SE)

(quarters are smallest to largest)

(NAD83 UTM in meters)

(In feet)

POD Number	POD Sub-basin	County	Q 64	Q 16	Q 4	Sec	Twp	Rng	X	Y	Distance	Depth Well	Depth Water	Water Column
RA 09337		CH	4	2	1	12	09S	26E	569489	3712703*	7492	120	99	21

Average Depth to Water: **99 feet**

Minimum Depth: **99 feet**

Maximum Depth: **99 feet**

Record Count: 1

UTMNAD83 Radius Search (in meters):

Easting (X): 576025 **Northing (Y):** 3709039 **Radius:** 10000

*This is the closest water well we could find to the Kobe 22 State #1 location but it is several miles away.

The most accurate data for the depth of water in this area comes from the Dawg #1 well. This well, the Dawg #1, was drilled approximately 1034 feet away and first discovered water at 135 feet.

***UTM location was derived from PLSS - see Help**

Map Search

Enter an address or place:

33.519568n 104.188193 w

Use the select tool to choose a location or area of interest.

Base Map: Road Map Product Type: Flood Maps

Select Mode

Select mode is enabled. You can click to select a point or click and drag to select an area.

Click a point

Draw a box

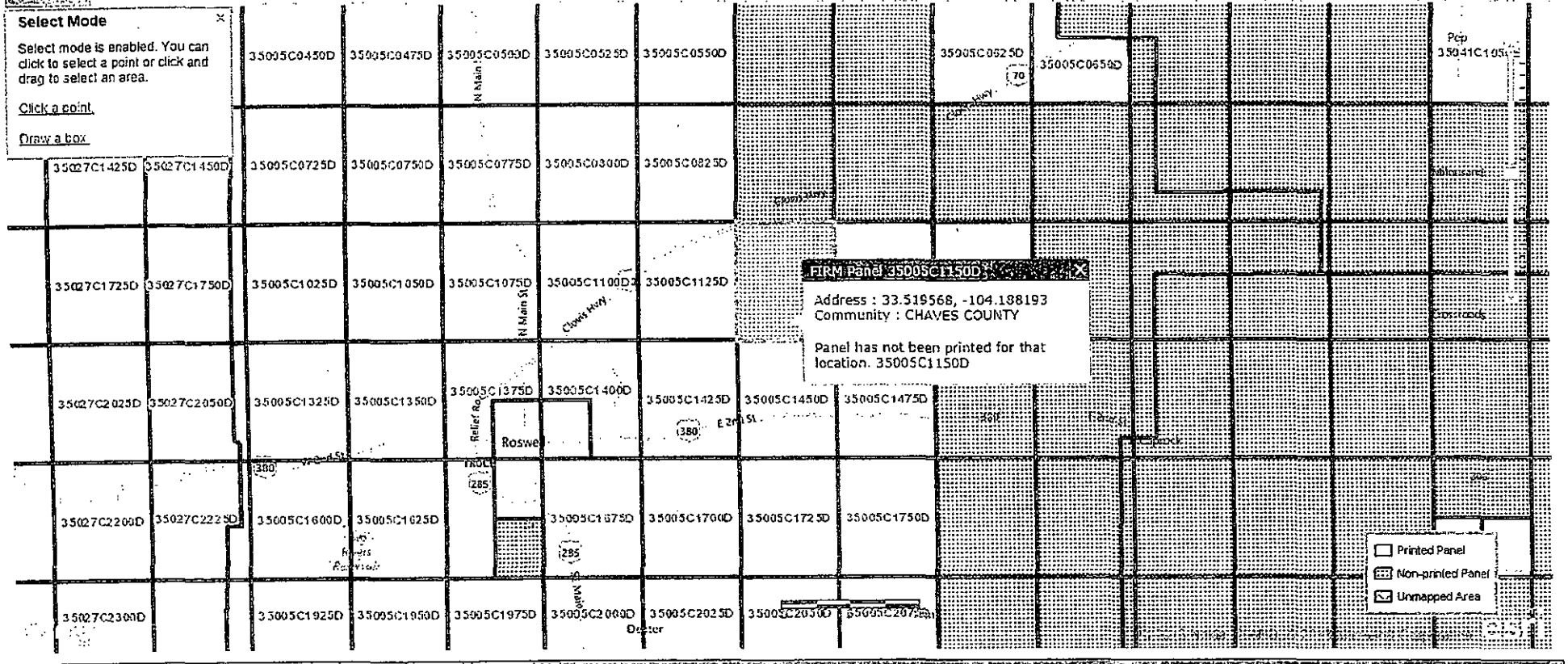
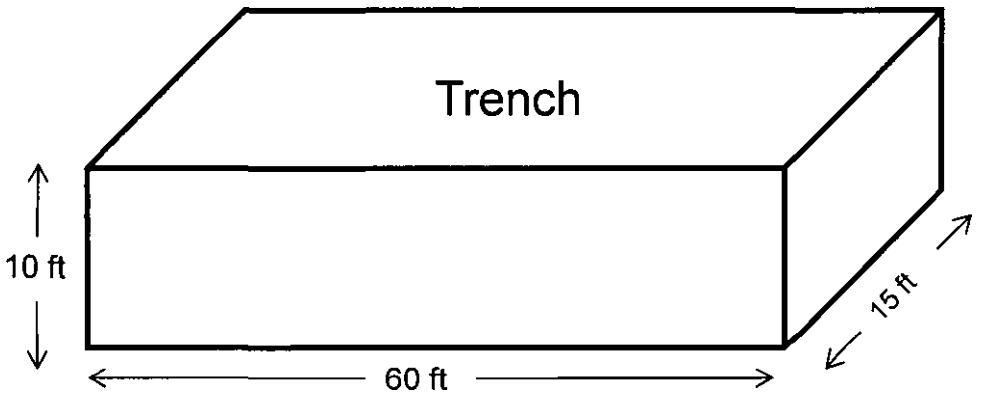


EXHIBIT #7

EXHIBIT #8

JALAPENO CORPORATION



*NOT TO SCALE