

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

State of New Mexico
Energy Minerals and Natural Resources
Department
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

NOV - 1 2008

Form C-144 CLEZ
July 21, 2008

OCD-ARTESIA

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.

12-12-08

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: Parallel Petroleum Corporation OGRID #: 230387
Address: 1004 N. Big Spring, Suite 400, Midland, Texas 79701
Facility or well name: Letters 1525-20 Federal #2H Dual well site with the Alsab 1525-21 Federal #2H API # 30.005.64081
API Number: 30.005.64074 OCD Permit Number: _____
U/L or Qtr/Qtr E Section 28 Township 15S Range 25E County: Chaves
Center of Proposed Design: Latitude 32°00'09.67" Longitude 104°27'19.02" 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 19.15.3.103 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: Controlled Recovery, Inc Disposal Facility Permit Number: R-9166
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): Deane Durham Title: Drilling Engineer
Signature: Deane Durham Date: 8-7-08
e-mail address: ddurham@p111.com Telephone: 432-684-3727

7. **OCD Approval:** ☒ Permit Application (including closure plan) ☐ Closure Plan (only)

OCD Representative Signature: TIM W. GUM
Title: DISTRICT II SUPERVISOR

Approval Date: 11-21-08

OCD Permit Number: 0208713

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: _____

CLOSED-LOOP SYSTEM DETAILS

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

Personnel:

The drilling contractor will utilize a 5-man crew with the 5th man dedicated to working the shaker and pit area. The solids control company will provide a solids control technical specialist to work and maintain all closed-loop equipment (see inventory). These 2 individuals will work regular tours and coordinate with the mud engineer and tour derrick man to insure all fluid flow and solids handling is done as designed.

General procedures and flow path:

Rig pumps, shakers and pits will be used with added equipment for the extraction and disposal of solids while maintaining designed clean mud system for the drilling of the well. Flow from flow-line to shaker then sand trap as normal. The drilling fluids with remaining solids are routed to the auger pit where weir plates and the auger trap separates remaining solids. A transfer pump carries the solids slurry from the auger pit to the centrifuge level, and last remaining solids are removed. Dry solids are collected in the 3-sided tank and loaded into cuttings bins for delivery to approved disposal facility. Clear fluids are routed back to the rig working tanks for circulation. In addition, a 250 BBL open-top ½ tank will be used to take cement returns and any other disposal liquids, and 4 additional frac tanks will be used for volume control during all operations.

Addition equipment inventory for Closed-loop system:

Mud / Auger Tank	(drop solids out and pump to centrifuge level)
Shale Bin	(3-sided bin to catch dry cuttings)
Flygt 2" Trash Pump complete with hoses	(system pump)
Flygt 4" Trash Pump complete with hoses	(system pump)
Komatsu 250pt loader complete with Pipe Grapple /forks/Bucket	(to load cuttings into transport bins and other rig functions)
Alfa Laval Decanter Lynx 20W pump and stand	(centrifuge pump)
Alfa Laval Decanter Lynx 40W pump with stand	(centrifuge pump)
Full open-top bins and rails	(for hauling cuttings to disposal)
½ tank	(for cement returns)
4 Additional Frac tanks	(for additional fluid capacity)

See attached drawing.

Closure Procedure: The wells are all located on Federal Surface and the reclamation of the site as well as the re-vegetation will be performed to BLM and NMOCD regulations and guidelines.