

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

FEB -9 2009

Form C-144 CLEZ
July 21, 2008

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 NMOC 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: Murchison Oil & Gas, Inc. OGRID # 15363
Address: 1100 Mira Vista Boulevard, Plano, Texas 75093-4698
Facility or well name: CARBON VALLEY 25 FED COM #3H
API Number: 30-015-36917 OCD Permit Number: _____
U/L or Qtr/Qtr E Section 25 Township 16S Range 27E County Eddy
Center of Proposed Design Latitude 32° 53' 42.78" Longitude 104° 14' 23.17" 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: CRI Disposal Facility Permit Number R9166
Disposal Facility Name: GMI Disposal Facility Permit Number: 711-019-001

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

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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): Arnold Nall Title VP, Operations – Murchison Oil & Gas, Inc.

Signature: *Arnold Nall* Date 2/3/09

e-mail address: Arnall@jdmii.com Telephone: (972) 931-0700

7.

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

OCD Representative Signature: *Jacqu Reeves* Approval Date: 02-11-09

Title: Dist II Geologist OCD Permit Number: 0209107

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 indentify 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 _____

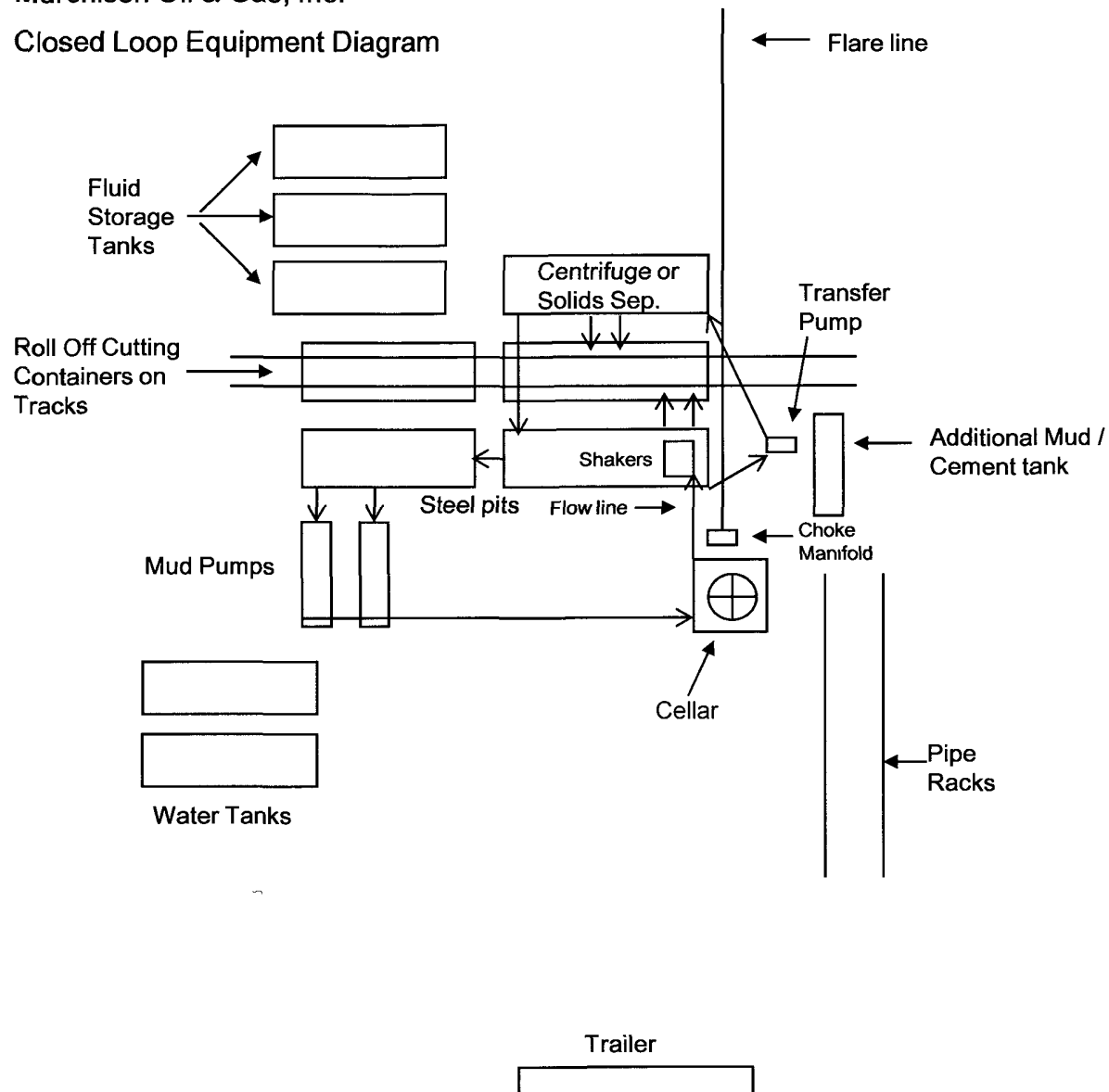
CLOSED-LOOP OPERATING AND MAINTENANCE PLAN

- All drilling fluid circulated over shaker(s) with cuttings discharged into roll-off container.
- Fluid and fines below shaker(s) are circulated with transfer pump through centrifuge(s) or solids separator with cuttings and fines discharged into roll-off container.
- Fluid is continuously re-circulated through equipment with polymer added to aid separation of cutting fines.
- Roll-off containers are lined and de-watered with fluids re-circulated into system.
- Additional tank is used to capture unused drilling fluid or cement returns from casing jobs.
- This equipment will be maintained 24 hours/day by solids control personnel and/or rig crews that stay on location.
- Cuttings will be hauled to one of the following depending upon which rig is available to drill this well:
 - CRI Permit Number R9166
 - GMI Permit Number 711-019-001

**Murchison Oil & Gas, Inc.
Carbon Valley 25 Fed Com #3H
SL: 1980' FNL & 370' FWL, Unit E
BHL: 1980' FNL & 330' FEL, Unit H
Sec 25, T16S, R27E
Eddy County, New Mexico**

Murchison Oil & Gas, Inc.

Closed Loop Equipment Diagram



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J.D. MURCHISON INTERESTS, INC.

MURCHISON OIL & GAS, INC.

MURCHISON PROPERTIES, INC.

CERTIFIED MAIL

February 3, 2009

State of New Mexico
Oil Conservation Division - District II
1301 W. Grand Avenue
Artesia, New Mexico 88210-2834
Attn. Linda Bratcher

**RE: CARBON VALLEY 25 FED COM #3H
EDDY COUNTY, NM.**

Dear Ms. Bratcher:

Enclosed please find the following:

- 1) Form C-144-CLEZ – original

Thanks for your assistance.

Very truly yours,

MURCHISON OIL & GAS, INC.

Carla Tracy
Carla Tracy

ct/CarbonValley25FC#3H-FmC144-CLEZ

Encl.