

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

MAR 24 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 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: OGX Resources, LLC OGRID #: 217955
Address: P.O. Box 2064, Midland, TX 79702
Facility or well name: Tesuque 2 State, Well #1
API Number: 30 015 32799 OCD Permit Number: _____
U/L or Qtr/Qtr C Section 2 Township 26S Range 29E County: Eddy
Center of Proposed Design: Latitude _____ Longitude _____ NAD: X 1927 1983
Surface Owner: Federal ☐ X: State ☒ Private ☐ Tribal Trust or Indian Allotment ☐

2
X **Closed-loop System:** Subsection H of 19.15.17.11 NMAC
Operation: Drilling a new well ☐ X Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent) ☐ P&A
X Above Ground Steel Tanks or ☐ Haul-off Bins

3.
Signs: Subsection C of 19.15.17.11 NMAC
X 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.
X Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC
X Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC
X 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: R1966
Disposal Facility Name: GM, Inc or closest 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): Shelley Bush Title: Regulatory
 Signature: Shelley Bush Date: 3-23-09
 e-mail address: shelley@oxxresources.com Telephone: 432 685 1287

7. OCD Approval: ☒ Permit Application (including closure plan) ☐ Closure Plan (only)
 OCD Representative Signature: Jacqui Reen Approval Date: 03-26-09
 Title: Geologist OCD Permit Number: 0209200

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: _____

OGX Resources, LLC

Closed Loop System

Re-Entry: Tesuque 2 State, Well #1
660' FNL & 1980' FWL
Section 2-T26S-R29E
Eddy County, New Mexico

Equipment Design Plan

Closed Loop System will consist of:

- 1 – (minimum) Double panel shaker with rig inventory
- 1 – (minimum) Centrifuge , certain wells and flow rates may require 2 centrifuges
- 1 – minimum centrifugal pump to transfer fluids
- 1 – (minimum) 500 bbl FW & BW Tanks
- 1 – 500 bbl watertank with rig inventory
- 1 – tank / bin – to catch cement / excess mud returns generated during a cement job

Operation Plan

All equipment will be inspected numerous times a day by each tour to make sure all equipment is operating correctly. Routine maintenance will be done to keep system running properly.

Any leak in system will be repaired and/or contained immediately and the OCD notified within 48 hours of the remediation process start.

Closure Plan

While drilling all cuttings and fluids associated with drilling will be hauled off, if necessary volume and disposed of via Control Recovery Incorporated facilities Permit R-9166.

OGX Resources, LLC
Closure Plan for Closed Loop System

Re-Entry: Tesuque 2 State, Well #1
660' FNL & 1980' FWL
Section 2-T26S-R29E
Eddy County, New Mexico

Methods of Handling Waste Materials

Any cuttings shall be disposed of in steel cuttings bins (catch tanks) on the workover pad (behind the steel mud tanks). The bins and cuttings shall be hauled to a division approved facility by an approved transporter. At the facility, the cuttings shall be removed from the bin and the bin shall be returned to the workover site for reuse, or returned to the provider.

Remaining fluid(s) shall be hauled off by approved transports to a division approved disposal facility. Any water produced during completion of this well for injection purposes shall be put in storage tanks and disposed of upon completion as injection well. NMOCD Administrative Order SWD-1164 for this well.

Reclamation

Within 60 days after completion of the well, the location area shall be reduced as determined by Operator to the minimum area necessary to safely and effectively operate the well for injection. The reclaimed location area shall be substantially restored to the condition that existed prior to re-entry operations.