

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

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: CHI OPERATING, INC. OGRID #: 4278  
Address: P. O. Box 1799 Midland, TX 79702  
Facility or well name: Munchkin Federal, Well No. 20  
API Number: 30-015-38299 OCD Permit Number: 210974  
U/L or Qtr/Qtr H Section 12 Township 19-S Range 30-E County: Eddy  
Center of Proposed Design: Latitude 32.678134 N Longitude 103.932439 W  
Surface Owner: ☒ Federal ☐ State ☐ Private ☐ Tribal Trust or Indian Allotment

**RECEIVED**  
JUL 21 2010  
NMOC DISTRICT ARTESIA

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  
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 (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) X 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): George R. Smith Title: Agent for Chi Operating, Inc.  
Signature: George R. Smith Date: 08/25/09  
e-mail address: gr.smith1@hotmail.com Telephone: 575-623-4940

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

**OCD Representative Signature:** RDade

**Approval Date:** 12/6/2010

**Title:** Dist HS Supervisor

**OCD Permit Number:** 210974

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: \_\_\_\_\_

**Chi Operating , Inc., Munchkin Federal, Well No. 20**  
**API: 30--**

**Sec. 12, T19S-R30E: 1400' FNL & 350' FWL Eddy Co., NM**

**DESIGN: Closed Loop System with roll-off steel bins (pits)**

**CLS/Carlsbad** will supply (2) bins ( ) volume, rails and transportation relating to the Close Loop system. Specifications of Close Loop System attached.

Contacts: Tommy Wilson 575-748-6367 Cell Office # 575-885-3996

**Closed Loop Specialties: Supervisor: Curtis: 575-706-4605 - Carlsbad Cell**

Monitoring 24 hour service

Equipment:

2-Centrifuges (brand): Swaco

2-Rig Shakers (brand): Mongoose

Air pumps on location for immediate remediation process

Layout of Close Loop System with bins, centrifuges and shakers attached.

Cuttings and associated liquids will be hauled to a State regulated third party disposal site: CRI (Controlled Recovery, Inc) Disposal Facility Permit # R-9166

2- CLS Bins with track system

1 500 bbl tank for fresh water

**OPERATIONS:**

Closed Loop equipment will be inspected daily by each tour and any necessary maintenance performed.

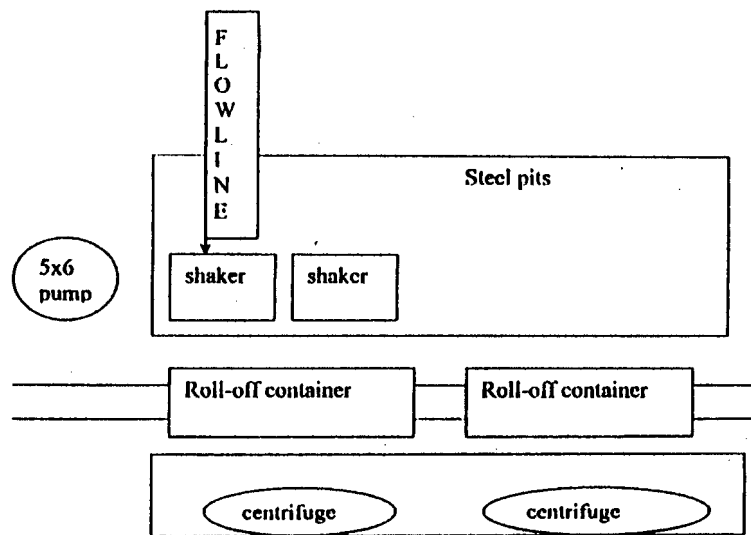
Any leak in system will be repaired and or/contained immediately

OCD will be notified within 48 hours of the spill.

Remediation process started immediately

**CLOSURE:**

During drilling operations all liquids, drilling fluids and cuttings will be hauled off by CLS (Closed Loop Specialties) to disposal facility, Controlled Recovery, Inc. Permit # R-9166



This will be maintained by 24 hour solids control personnel that stay on location.

**TOMMY WILSON**



**CLOSED LOOP  
SPECIALTY**

Office: 575.746.1689

Cell: 575.748.6367

**POWER OF ATTORNEY  
DESIGNATION OF AGENT**

CHI OPERATING, INC., hereby names the following person as its agent:

Name of Agent: George R. Smith d/b/a Energy Administrative Services Company

Agent's Address: P.O. Box 458, Roswell, NM 88202

Agent's Telephone Number: (575) 623-4940

**GRANT OF SPECIAL AUTHORITY**

CHI OPERATING, INC., grants its agent the authority to act for it with respect to the following only:

1. Executing forms required to be filed with the Oil Conservation Division of the New Mexico Energy, Minerals and Natural Resources Department.
2. Executive forms required to be filed with the Bureau of Land Management of the Department of Interior of the United States of America.

**EFFECTIVE DATE**

This power of attorney is effective immediately.

**RELIANCE ON THIS POWER OF ATTORNEY**

Any person, including the agent, may rely upon the validity of this power of attorney or a copy of it unless that person knows it has terminated or is invalid.

**SIGNATURE AND ACKNOWLEDGMENT**

CHI OPERATING, INC.

By: 

Name: John W. Qualls

Title: Vice President

Date: November 3, 2008


Address: 212 N. Main Street, Suite 200, Midland, Texas 79701

Telephone: (432) 685-5001

STATE OF TEXAS

COUNTY OF MIDLAND

This instrument was acknowledged before me on November 3, 2008 by John W. Qualls, of CHI OPERATING, INC., acting on behalf of said corporation.

Signature of notary: 

My commission expires: 08/30/2011

