

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 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: VPR OPERATING, LLC OGRID #: 266091 -
Address: 1406 CAMP CRAFT RD, SUITE 106; AUSTIN, TX 78746
Facility or well name: REDTAIL STATE COM #1H
API Number: 30-025-40181 OCD Permit Number: P1-D3426
U/L or Qtr/Qtr A Section 27 Township 23 Range 37E County: LEA
Center of Proposed Design: Latitude 33-29-53.14" Longitude 103-08-41.36" 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: SUNDANCE INCORPORATED Disposal Facility Permit Number: NM-01-0003
Disposal Facility Name: CRI Disposal Facility Permit Number: NM-01-0006
Disposal Facility Name: LEA LAND Disposal Facility Permit Number: NM-01-035
Disposal Facility Name: GANDY MARLEY Disposal Facility Permit Number: NM-01-0019

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

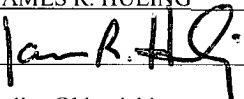
- ☐ Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC
☐ Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC
☐ Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

JUN 30 2011

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): JAMES R. HULING Title: AGENT
 Signature:  Date: 06-24-2011
 e-mail address: jrhuling@kiamichienergy.com Telephone: 817-923-8323

7.

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

OCD Representative Signature:  Approval Date: 06/29/11
 Title: Geologist OCD Permit Number: P1-03426

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

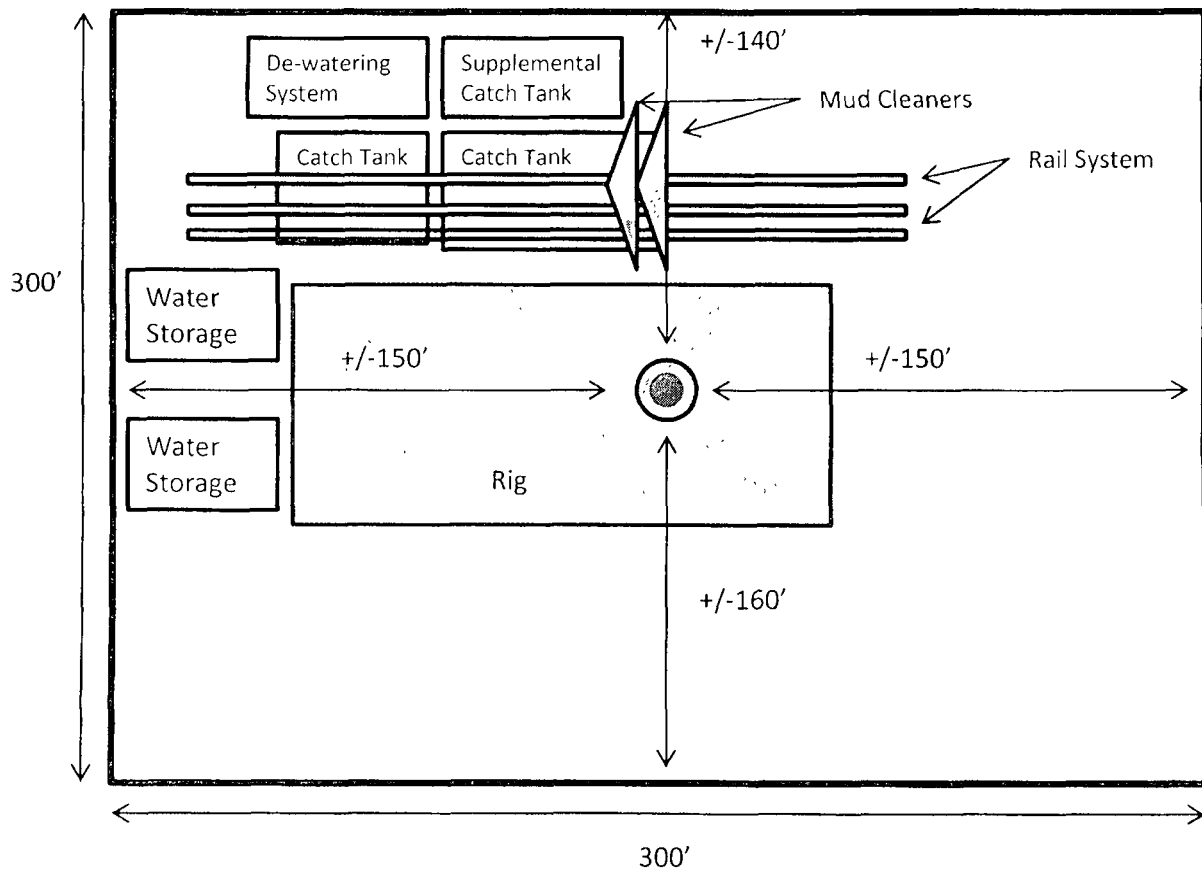
10.

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: _____

VPR Operating, LLC - Closed Loop System



Dimensions are approximate and not to scale

VPR OPERATING, LLC

OPERATING AND MAINTENANCE PLAN FOR CLOSED LOOP SYSTEM

The operator shall follow requirements stated in NM 19.15.17.12

- (1) The operator will operate and maintain a closed loop system.
- (2) The operator will not use a below ground pit system. The operator shall recycle, re-use or re-claim all drilling fluids in a manner that prevents contamination of fresh water and protects the public health and environment. Any excess or unused fluid shall be disposed of at an OCD approved facility.
- (3) The operator shall not knowingly discharge into or store hazardous waste in a pit, sump or closed loop system.
- (4) The operator will not use a pit liner.
- (5) Any leaks to the closed loop system or associated tanks will be immediately repaired. Prior to repairing such a leak, all fluids will be transferred to a supplemental tank during repairs. All leaks will be repaired prior to re-introducing fluid to system or tanks.
- (6) The operator will not use a pit. Liquid levels in the closed loop system will be monitored and any excess volume will be removed and appropriately disposed at OCD Approved Facilities.
- (7) The operator will not use a pit as a closed loop system will be used. Any excess fluids will be removed with a re-cycling pump or vacuum pump.
- (8) The operator shall berm or collect surface water run-on and dispose of at an OCD approved facility.
- (9) Operator shall install a skimmer system on catch tanks, circulating tanks and over flow as needed to collect oil.

OPERATING AND MAINTENANCE PLAN FOR CLOSED LOOP SYSTEM

1. Methods of Handling Waste Materials

- i. Drilling cuttings shall be disposed of in catch tanks on the drilling pad/site adjacent to the mud tanks. The bin and cuttings shall be hauled to an OCD approved facility by an approved transporter. At the facility, the cuttings shall be separated from the bin and the bin returned to the drilling site. After the job the bin will be returned to the supplier/contractor.
- ii. Any remaining or residual drilling fluids shall be hauled off by an approved transporter to an OCD approved disposal facility. Water produced during the completion will be disposed of in accordance to OCD rules. Produced oil and gas will be sold at the lease site.

2. Reclamation

- i. Within 120 Days after the completion of the well the location will be reduced as determined by the operator to the minimum area necessary to safely and effectively operate the well. The reclaimed location will be returned to the natural condition of the land.