

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
HOBBS OGD 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.

RECEIVED

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: RMR Operating, LLC OGRID #: 281085
Address: 415 W. Wall Street, Suite 1700, Midland, TX 79701
Facility or well name: Madera 19 Federal 3H
API Number: 30-025-40340 OCD Permit Number: P1-03944
U/L or Qtr/Qtr _____ Section 19 Township 26-S Range 35-E County: Lea County
Center of Proposed Design: Latitude 32.035342 N Longitude 103.407372 W 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

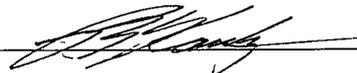
3. **Signs:** Subsection C of 19.15.17.11 NMAC
 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers
 Signed in compliance with 19.15.3.103 NMAC

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 Services Inc. Disposal Facility Permit Number: NM-01-0003
Disposal Facility Name: CRI Half Way Facility Disposal Facility Permit Number: R-9166
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): Donna Stratton Title: Regulatory Clerk
Signature: Donna Stratton Date: _____
e-mail address: donna@rkford.com Telephone: 432-682-0440

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

OCD Representative Signature:  Approval Date: 11/30/11

Title: ~~XXXXXXXXXXXX~~ OCD Permit Number: P1-03944

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

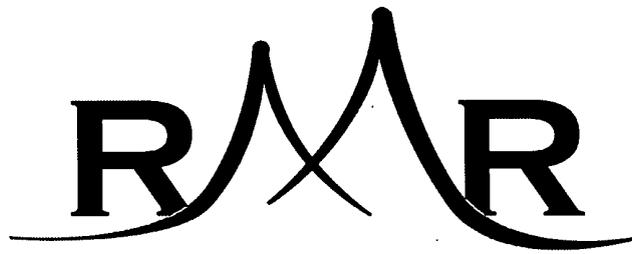
10. **Operator Closure Certification:**

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 MUD SYSTEM

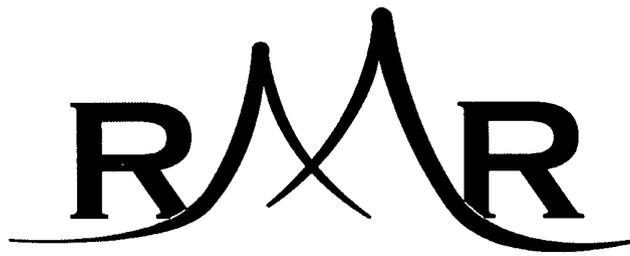
Design

Drilling mud will circulate through a closed system consisting of steel pits on the surface, mud pumps, piping on the surface to the rotating head and return piping from the bell nipple back to the steel pits. Solids will be removed from the mud in the steel pits using the following equipment:

1. 2 shale shakers will be installed with 110-250 mesh screens. These shale shakers should remove solids down to 65 micron diameter. All return drilling mud will flow across the shale shakers.
2. A 6T4 mud cleaner will be installed to further remove solids to the 25 micron level. Drilling mud will be circulated through the mud cleaner using a 5x6x12 75 hp pump. This pump will generate the optimal pressure for the mud cleaner cones to process the solids.
3. A 518 centrifuge will pick up a portion of the effluent from the mud cleaner. The centrifuge will remove solids to the 10 micron level. The centrifuge will remove solids down to the 1 micron level after adding the dewatering unit, as discussed below.
4. A dewatering unit will add polymer to the flow stream entering the centrifuge to flocculate the solids. Flocculation increases the effective particle size of the solids, enhancing the performance of the centrifuge to remove solids down to the 1 micron level.
5. Roll-off bins (20 cubic yards per bin) and rails will be installed next to the steel pits so that the solids removed from the shale shakers, mud cleaner and centrifuge fall directly into a bin. Once a bin is full it is picked up by a truck and hauled to disposal. An empty bin is moved under the solids control equipment along the rail so that the solids control equipment can operate continuously.

**415 W. WALL STREET, SUITE 1700 * MIDLAND, TEXAS 79701
PH: 432-682-0440 OR 214.871.0400 · FX: 214-871-0406**

WWW.REDMOUNTAINRESOURCES.COM



CLOSED LOOP MUD SYSTEM

Operation and Maintenance

Personnel dedicated exclusively to operating and maintaining the solids control equipment will be on site 24 hours per day while drilling. The solids control personnel will monitor the shale shakers, mud cleaner, centrifuge, dewatering unit and all associated pumps and piping to make sure the equipment is functioning correctly. If equipment problems are identified, the solids control personnel will coordinate repair or replacement of the equipment. The solids control personnel will also monitor the level of solids in the roll-off bins and arrange for trucks to pick up the bins when they are filled.

Closure Plan

Cuttings and other solid will be hauled off to a permitted landfill according to OCD guidelines. Liquids will be re-used to the extent possible, but if liquids need to be disposed they will also be hauled to a permitted disposal facility. Liquids to be temporarily stored on site will be placed in 500 bbl "frac" tanks.

For the Madera 19 Federal #3H well, both solid waste and liquid waste will be taken to the Sundance Services Inc. facility permit number NM-01-0003 or Controlled Recovery, Inc. (CRI) "Halfway Facility" between Carlsbad and Hobbs NM-01-0006.

**415 W. WALL STREET, SUITE 1700 * MIDLAND, TEXAS 79701
PH: 432-682-0440 OR 214.871.0400 · FX: 214-871-0406
WWW.REDMOUNTAINRESOURCES.COM**

