District I
1625 N French Dr , Hobbs, NM 88240
District II
811 S First St , Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S St. Francis Dr , Santa Fe, NM 87505

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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
Revised August 1, 2011

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: Cimarex Energy Co. of Colorado OGRID #: 162683

Address: 600 N. Marienfeld St., Ste. 600; Midland, TX 79701

Facility or well name: Querecho 36 State Com #4

API Number: 30-025-40445 OCD Permit Number: P1-04198

U/L or Qtr/Qtr A Section 36 Township 18S Range 32E County: Eddy

Center of Proposed Design: Latitude 32° 42' 36.791" Longitude 103° 42' 48.165" NAD: ☐ 1927 ☒ 1983

Surface Owner ☐ Federal ☒ State ☐ Private ☐ Tribal Trust or Indian Allotment

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☒ **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

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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 19.15.16.8 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: _____

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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 indentify 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: 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) ☒ 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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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): Terri Stathem Title: Regulatory

Signature: Date: 2/13/12

e-mail address: tstathem@cimarex.com Telephone: 432-620-1936

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

OCD Representative Signature: _____ Approval Date: 02/15/12

Title: PETROLEUM ENGINEER OCD Permit Number: PI-04198

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

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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: _____

Cimarex Energy Co. of Colorado – Closed-Loop System Design Plan

Equipment List

- Primary Shakers
- Mud Cleaner – hydro-cyclones
- 1 or 2 Centrifuges (depending on well depth)
- De-watering system with pH adjustment, coagulant mixing and dosing, and polymer mixing and dosing (may not be necessary for shallower wells)
- Drying Augur
- Sump Drying Augur
- Sump
- Cuttings Boxes
- Reserve Fluids Tank Farm
- Wire Mesh Trash Enclosure (spent motor oils kept in separate containers and later sent to approved landfill)

Operation and Maintenance

The Cimarex Zero Discharge system is designed to maintain drill solids at or below 5%. The equipment is arranged to progressively remove solids from the largest to the smallest size. Drilling fluids can thus be reused and savings is realized on mud and disposal costs. Dewatering may be required with the centrifuges to insure removal of ultra fine solids.

The drilling location is constructed to allow storm water to flow to a central sump normally the cellar. This ensures no contamination leaves the drilling pad in the event of a spill. Storm water is reused in the mud system or stored in a reserve fluid tank farm until it can be reused. All lubricants, oils, or chemicals are removed immediately from the ground to prevent the contamination of storm water. An oil trap is normally installed on the sump if an oil spill occurs during a storm.

A tank farm is utilized to store drilling fluids including fresh water and brine fluids. The tank farm is constructed on a 20 ml plastic lined, bermed pad to prevent the contamination of the drilling site during a spill. Fluids from other sites may be stored in these tanks for processing by the solids control equipment and reused in the mud system. At the end of the well the fluids are transported from the tank farm to an adjoining well or to the next well for the rig.

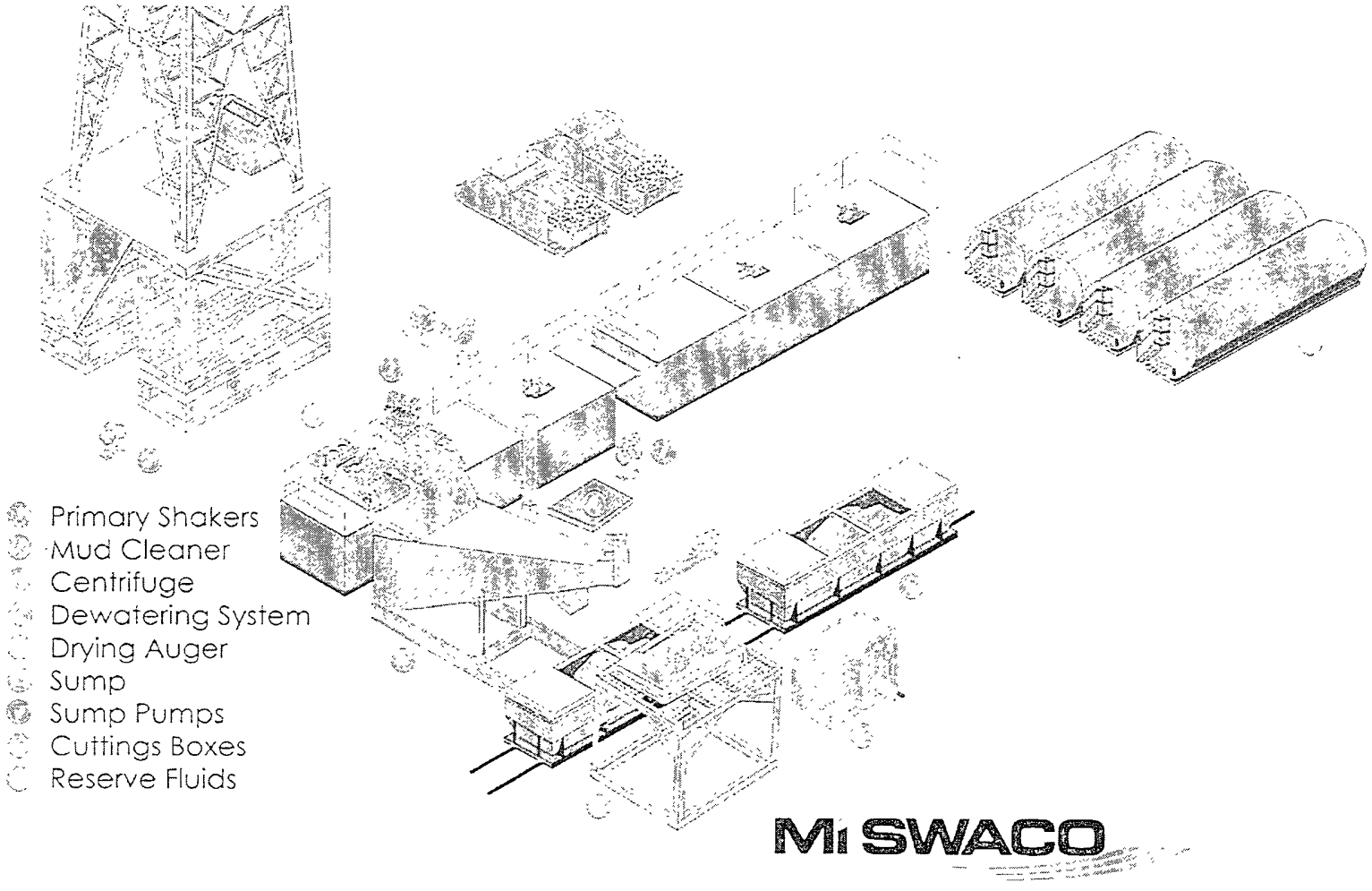
These closed loop operations can be monitored by our service technicians. Daily logs are maintained to ensure optimal equipment operation and maintenance. Screen and chemical use is logged to maintain inventory control. Fluid properties are monitored and recorded and drilling mud volumes are accounted for in the mud storage farm. This data is kept for end of well review to insure performance goals are met. Lessons learned are logged and used to help with continuous improvement.

Spill prevention is accomplished by maintaining pump packing, hoses, and pipe fittings to insure no leaks are occurring. During an upset condition the source of the spill is isolated and repaired as soon as it is discovered. Free liquid is removed by a diaphragm pump and returned to the mud system. Loose topsoil may be used to stabilize the spill and the contaminated soil is excavated and placed in the cuttings boxes. After the well is finished and the rig has moved, the entire location is scrapped and tested for all regulated toxic materials. If found they are removed and disposed of per regulatory requirements.

Closure Plan

During drilling operations, all liquids, drilling fluids, and cuttings will be hauled off via CRI (Controlled Recovery Incorporated, Permit R-9166).

Closed Loop with Drying Auger and Dewatering System



1. Primary Shakers
2. Mud Cleaner
3. Centrifuge
4. Dewatering System
5. Drying Auger
6. Sump
7. Sump Pumps
8. Cuttings Boxes
9. Reserve Fluids

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