

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

FEB 15 2012
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: Agave Energy Co. OGRID #: 147831
Address: 105 S. Fourth St. Artesia NM 88210
Facility or well name: Agave Red Hills AGI #1
API Number: PENDING 30-025-40448 OCD Permit Number: PENDING P1-04211
U/L or Qtr/Qtr Unit I Section 13 Township 24S Range 33E County: Lea
Center of Proposed Design: Latitude 32.214586 E Longitude 103.517520 N 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: Controlled Recovery, Inc. Disposal Facility Permit Number: NM-1-006
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

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): Alberto A. Gutiérrez, RG Title: Consultant to Agave Energy, Co.

Signature:  Date: 8/11/2011

e-mail address: aag@geolex.com Telephone: 505-842-8000

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

OCD Representative Signature: [Signature] Approval Date: 2-20-2012

Title: Staff OCD Permit Number: 91-04211

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: _____

SECTION 13, TOWNSHIP 24 SOUTH, RANGE 33 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO

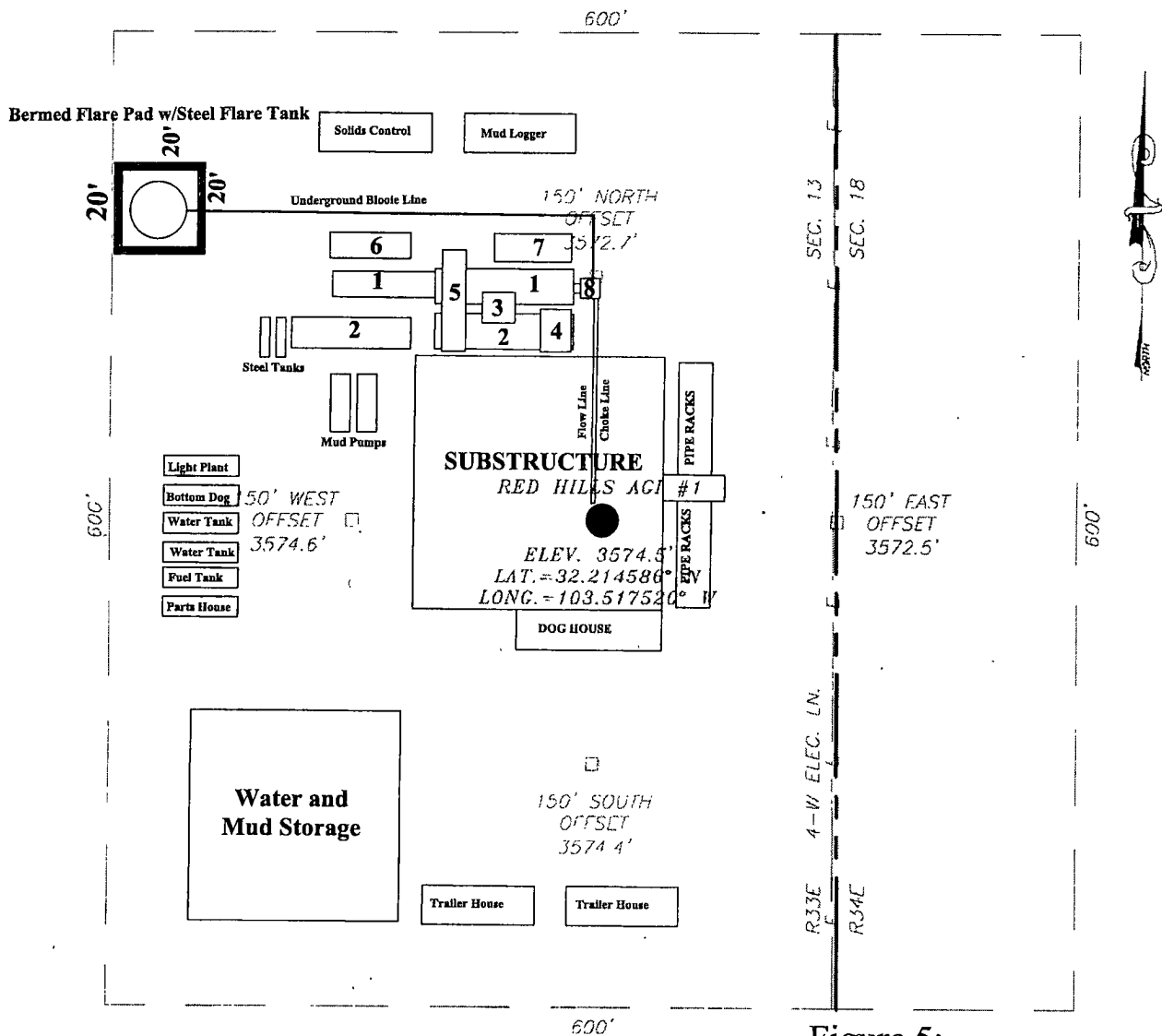


Figure 5:
Rig Layout Schematic with
Closed Loop System Design Plan

Legend

- 1) Roll Off Bin 2) Steel Mud Tanks 3) Mud Cleaner
4) Shaker 5) Centrifuge 6) Dewatering Unit
7) Catch Tank 8) Choke Manifold

Note: During kick control, the Choke Manifold (8) will divert mud to Shaker (4), Mud Cleaner (3) and Centrifuge (5) until gas kick reaches surface. The Choke Manifold will then divert the gas kick to the Flare Pit via the Bloop Line.

100 0 100 200 Feet
Scale: 1" = 100'

AGAVE ENERGY COMPANY

RED HILLS AGI #1 WELL
LOCATED 1605 FEET FROM THE SOUTH LINE
AND 150 FEET FROM THE EAST LINE OF SECTION 13,
TOWNSHIP 24 SOUTH, RANGE 33 EAST, N.M.P.M.,
LEA COUNTY, NEW MEXICO

Survey Date: 7/26/11	Sheet 1 of 1 Sheets
W.O. Number 11.11.1636	Dr By: LA
Date 7/28/11	11111636
	Scale: 1" = 100'

Closed Loop System Design Plan (pursuant to 19.15.17.11 NMAC):

The closed loop design does not incorporate any temporary pits or below-grade tanks. The plan uses above-ground tanks suitable to contain the fluids and cuttings generated during the drilling operations. The volumes of all tank(s) will be suitable to contain all anticipated fluids with an adequate freeboard for periodic removal of cuttings and fluids.

The fluids and cuttings will be held in temporary steel tanks, allowing setting of the cuttings and recycling of the drilling fluids. Following completion of drilling operations, the fluids and cuttings will be removed to a permitted disposal facility in Lea County (Controlled Recovery, Inc.).

The grading and operation of the drilling pad will be maintained to minimize and control on-run and off-run from storm water.

Closed Loop Operations and Maintenance Plan (pursuant to 19.15.17.12 NMAC):

:

1. Any free liquids will be recovered and reused, disposed of at the Controlled Recovery, Inc. facility (Permit # NM-1-006), or relocated for use in other permitted drilling operations.
2. Drill solids will be periodically removed from the site and transported to the Controlled Recovery facility for disposal, as required to maintain a safe freeboard on the tanks. No on-site disposal or burial of cuttings will occur.
3. All drilling materials and trash will be stored and disposed of in an appropriate manner.
4. The NMOCD and BLM will be notified within 48 hours of the discovery of any compromised integrity of the closed loop containment. Any required repairs will commence immediately.

Close Loop Closure Plan (pursuant to 19.15.17.9 NMAC and 19.15.17.13 NMAC):

1. Following the completion of drilling operations, the temporary fluid tanks will be cleaned and the final residues hauled and disposed of by Controlled Recovery, Inc. facility (Permit # NM-1-006).
2. The site will be re-graded as necessary to maintain drainage control and minimize erosion. Since the drilling site is owned by the Operator (Frontier Field Services, LLC), there will be no impacts to Federal lands or any other property owner.
3. Appropriate fencing, signage and other security measures will be installed after well completion and installation of the surface injection facilities.

Figure 5 Rig Layout Schematic with Closed Loop System Design Plan

