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

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: [X] 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: Celero Energy II, LP OGRID #: 247128
Address: 400 W. Illinois, Ste. 1601 Midland, TX 79701
Facility or well name: Drickey Queen Sand Unit #16
API Number: 30-005-00985 OCD Permit Number: P1-06194
U/L or Qtr/Qtr B Section 4 Township 14S Range 31E County: Chaves
Center of Proposed Design: Latitude _____ Longitude _____ NAD: [X] 1927 [ ] 1983
Surface Owner: [X] Federal [ ] State [ ] Private [ ] Tribal Trust or Indian Allotment

HOBBS OCD
MAY 10 2013
RECEIVED

2.
[X] **Closed-loop System:** Subsection H of 19.15.17.11 NMAC
Operation: [ ] Drilling a new well [X] Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent) [ ] P&A
[X] 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
[X] 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.
[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 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: Gandy Marley Disposal Facility Permit Number: NM 01-0019
Disposal Facility Name: ~~Control Recovery~~ R360 Disposal Facility Permit Number: NM 01-~~006~~ 0006
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): Lisa Hunt Title: Regulatory Analyst
Signature: Lisa Hunt Date: 04/24/2013
e-mail address: lhunt@celeroenergy.com Telephone: (432)686-1883

MAY 20 2013

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

OCD Representative Signature: _____ **Approval Date:** 5-13-2013

Title: Dist. Mgr **OCD Permit Number:** P1-06194

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): Lisa Hunt Title: Regulatory Analyst

Signature: _____ Date: _____

e-mail address: lhunt@celeroenergy.com Telephone: (432)686-1883

Attachment to NMOCD Form C-144 CLEZ, Item number 4.

Design Plan

Workover fluids will be circulated to and from the well through appropriate piping using steel tanks, pump trucks, water transports, and/or vacuum trucks of adequate volume for the operation. No cuttings are expected to be produced during the operation.

Fencing or netting is not required for an above-ground, closed-loop system. The site will have a sign in compliance with 19.15.3.103 NMAC.

Operating and Maintenance Plan

Steel tanks, pump trucks, water transports, and/or vacuum trucks, and related piping will be maintained to contain fluids. The equipment will be periodically inspected each day for leaks. The NMOCD District Office will be notified within 48 hours of the discovery of any leak in the equipment. Operations will be suspended and repairs will be started immediately upon the discovery of any leak. Hazardous waste, miscellaneous solid waste or debris will not be discharged into or stored in tanks or trucks. Only fluids used in operations will placed or stored in tanks or trucks.

Closure Plan

Steel tanks, pump trucks, transports, vacuum trucks, and related piping will be properly maintained. Workover fluids will be hauled to *(SWD Facility from list)* during and after rig operations. All service equipment necessary for operations will be removed from the site at the conclusion of operations. Since there will not be any drying pads, temporary pits, or below-grade tanks or sumps, and future service and/or operations are likely, the site will not be reclaimed. The site will be reclaimed and re-vegetated once the well is permanently abandoned.

BUREAU OF LAND MANAGEMENT
Roswell Field Office
2909 West Second Street
Roswell, New Mexico 88201
575-627-0272

Temporary Abandonment of Wells on Federal Lands
Conditions of Approval

A temporary abandoned well is defined as a completion that is not capable of production in paying quantities but may have value as a service well. Pursuant to 43 CFR 3162.3-4(c), no well may be temporarily abandoned for more than 30 days without the prior approval of the authorized officer.

Temporary Abandonment (TA) status approval requires a successful casing integrity test as follows:

1. A Notice of Intent (NOI) Sundry Notice (Form 3160-5) requesting approval to run a mechanical integrity test (MIT) or casing integrity test (CIT).

2. A description of the temporary abandonment procedure.

A. A bridge plug or packer must be installed as close to 50 feet above any open perforations or open hole as possible. If a cement plug is used, the top of the cement must be verified by tagging.

B. The wellbore must be filled with corrosion inhibited fluid and pressure tested to 500 psi. The casing shall be capable of holding this pressure for at least 30 minutes with a 10% allowable leakoff.

C. All downhole production/injection equipment (tubing, rods, etc.) shall be removed from the casing if they are not isolated by a packer.

D. A bradenhead test must be conducted. If the test indicates a problem exists, a remedial plan and time frame for remediation shall be submitted within ninety (90) days of the test.

E. Contact the BLM Roswell Field Office at least 24 hours prior to the scheduled Casing Integrity Test. For wells in Chaves and Roosevelt County, during office hours or after office hours call (575) 627-0205. Engineer on call during office hours phone (575) 627-0275 or phone (after hours) call (575) 626-5749.

Wells that successfully pass the casing integrity test may be approved for Temporary Abandonment (TA) status up to 12 months.

1. Submits a subsequent Sundry Notice (Form 3160-5) requesting TA approval.

2. Attaches a clear copy of the original pressure test chart.

3. Provided justification why the well should be temporarily abandoned rather than permanently plugged and abandoned and an estimated date that the well will be returned to beneficial use or plugged and abandoned.

4. Describes the temporary abandonment procedure.

The TA status could be extended without another casing integrity test provided there was no leak-off during the test and the test was witnesses by a BLM representative.

If the well does not pass the casing integrity test, then the operator shall within 30 days submit to BLM for approval one of the following:

1. A procedure to repair the casing so that a TA approval can be granted.

2. A procedure to plug and abandon the well.

Ref: IM: NM-95-022 (12/16/1994)