

Seely Oil Company
E-K Queen Unit 211
Closed Loop System

HOBBS COJ

APR 27 2016

RECEIVED

Operating and Maintenance Procedures
and
Closure Plan

Operating Procedures

Seely Oil Company will use a closed loop system to collect and process drilling fluids and solids generated during drilling operations. This system (attached) will be monitored, serviced, and maintained 24 hours daily by rig personnel. All liquids and solids will be contained in steel vessels.

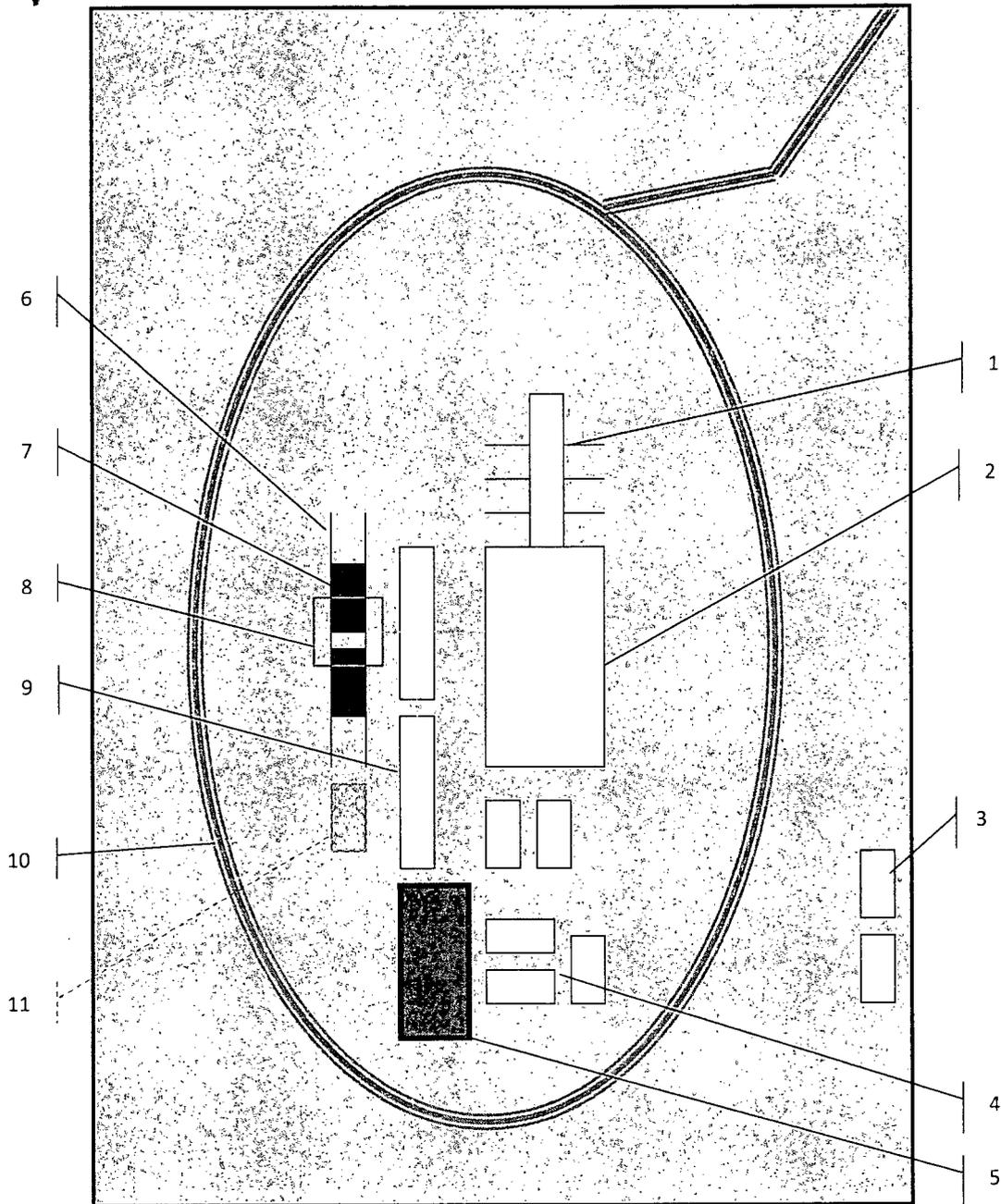
Drilling fluids will be recycled and reused on location, or temporarily stored for use on subsequent wells. Surplus fluids will be transported to a state approved disposal site.

Solids will be separated from the drilling fluids and transferred to transport containers. The containers will be trucked to a state approved disposal site for solids disposal.

No hazardous materials will be discharged into the closed loop system.

Closure Plan

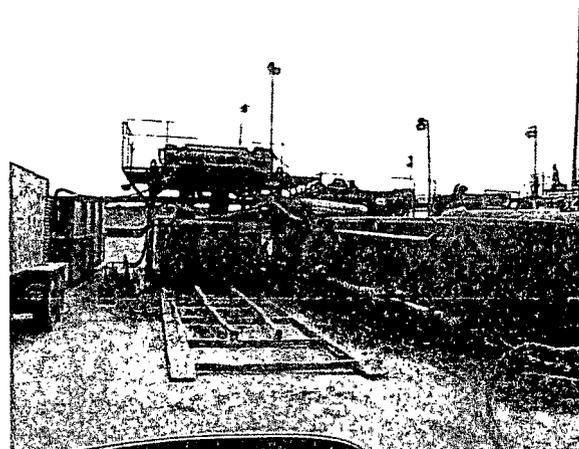
Upon the conclusion of drilling operations, the closed loop system will be removed from the well site. Upon completion of testing and facility operations, the location pad size will be reduced to the minimum allowed for safe and efficient operation. Stockpiled surface materials will be used to restore the location to as original condition as feasible (see Surface Plan).



Schematic Closed Loop Drilling Rig*

1. Pipe Rack
2. Drill Rig
3. House Trailers/ Offices
4. Generator/Fuel/Storage
5. Overflow-Frac Tank
6. Skids
7. Roll Offs
8. Hopper or Centrifuge
9. Mud Tanks
10. Loop Drive
11. Generator (only for use with centrifuge)

*Not drawn to scale: Closed loop system requires at least 30 feet beyond mud tanks. Ideally 60 feet would be available

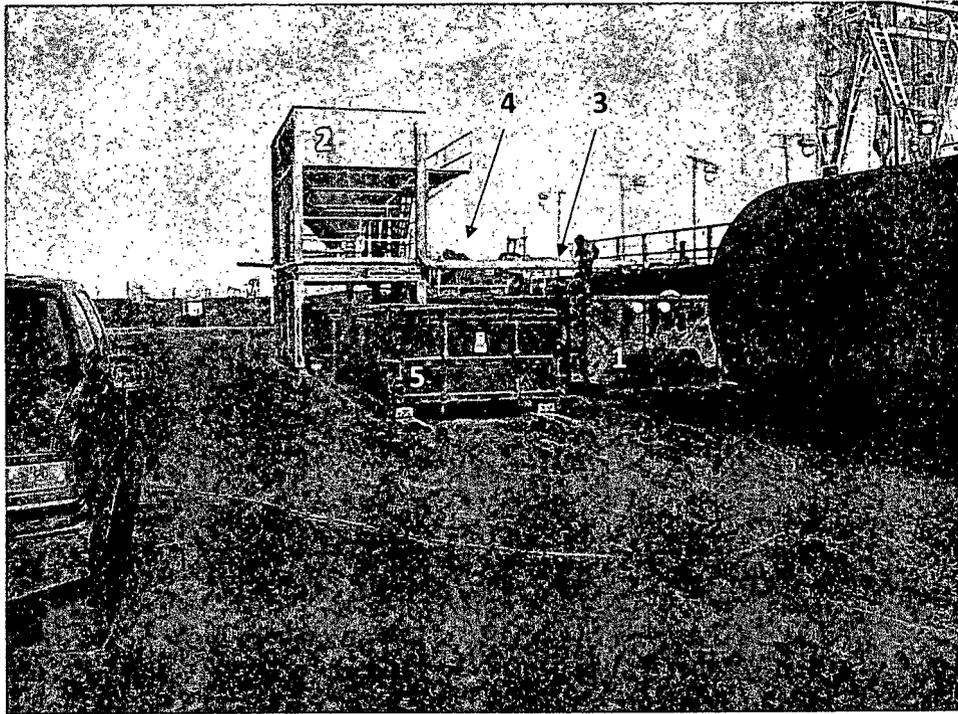


Above: Centrifugal Closed Loop System

PERMITS WEST, INC.

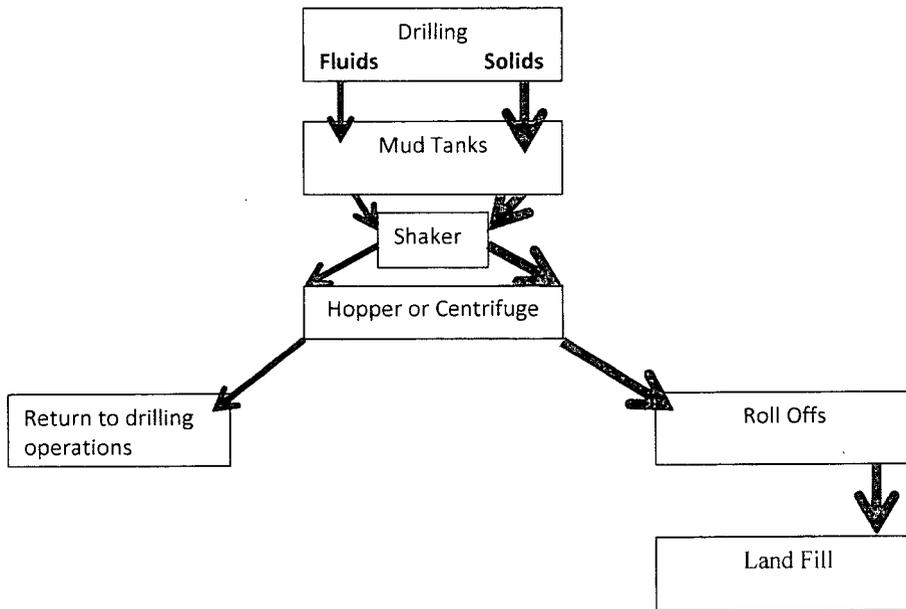
PROVIDING PERMITS for LAND USERS

37Verano Loop, Santa Fe, New Mexico 87508 (505) 466-8120



Closed Loop Drilling System: Mud tanks to right (1)
 Hopper in air to settle out solids (2)
 Water return pipe (3)
 Shaker between hopper and mud tanks (4)
 Roll offs on skids (5)

Flow Chart for Drilling Fluids and Solids



Seely Oil Company's
E-K Queen Unit 211
rig diagram

