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
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144
June 24, 2008

For temporary pits, closed-loop systems, and below-grade tanks, submit to the appropriate NMOCD District Office.
For permanent pits and exceptions submit to the Santa Fe Environmental Bureau office and provide a copy to the appropriate NMOCD District Office.

Pit, Closed-Loop System, Below-Grade Tank, or Proposed Alternative Method Permit or Closure Plan Application

Type of action: ☐ Permit of a pit, closed-loop system, below-grade tank, or proposed alternative method
☒ Closure of a pit, closed-loop system, below-grade tank, or proposed alternative method

Instructions: Please submit one application (Form C-144) per individual pit, closed-loop system, below-grade tank or alternative request

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.

Operator: Melrose Operating Inc OGRID #: 184860
Address: 1000 W. Wilshire Suite 223 Oklahoma City, OK 73116
Facility or well name: Valmat Field Yates Sand Unit 185
API Number: 30-025-38872 OCD Permit Number: P1-D0881
U/L or Qtr/Qtr B Section 13 Township 22S Range 35E County: Lea
Center of Proposed Design: Latitude N 32.39731 Longitude W 103.39336 NAD: ☒ 1927 ☐ 1983
Surface Owner: ☐ Federal ☐ State ☐ Private ☐ Tribal Trust or Indian Allotment EIW 3581

☒ **Pit:** Subsection F or G of 19.15.17.11 NMAC
Temporary: ☒ Drilling ☐ Workover
☐ Permanent ☐ Emergency ☐ Cavitation ☐ Steel Pit
☒ Lined ☐ Unlined
Liner type: Thickness 20 mil ☐ LLDPE ☒ HDPE ☐ PVC
☐ Other ☒ String-Reinforced
Seams: ☒ Welded ☐ Factory ☐ Other
Volume: bbl Dimensions: L 100 x W 40 x D 20

☐ **Closed-loop System:** Subsection H of 19.15.17.11 NMAC
☐ Drying Pad ☐ Tanks ☐ Haul-off Bins ☐ Other
☐ Lined ☐ Unlined
Liner type: Thickness mil ☐ LLDPE ☐ HDPE ☐ PVC
☐ Other
Seams: ☐ Welded ☐ Factory ☐ Other
Volume: bbl yd^3
Dimensions: Length x Width

☐ **Below-grade tank:** Subsection I of 19.15.17.11 NMAC
Volume: bbl
Type of fluid:
Tank Construction material:
☐ Secondary containment with leak detection
☐ Visible sidewalls, liner, 6-inch lift and automatic overflow shut-off
☐ Visible sidewalls and liner
☐ Visible sidewalls only
☐ Other
Liner type: Thickness mil ☐ HDPE ☐ PVC
☐ Other

Fencing: Subsection D of 19.15.17.11 NMAC
☐ Chain link, six feet in height, two strands of barbed wire at top
☐ Four foot height, four strands of barbed wire evenly spaced between one and four feet
Netting: Subsection E of 19.15.17.11 NMAC
☐ Screen ☐ Netting ☐ Other
☐ Monthly inspections
Signs: Subsection C of 19.15.17.11 NMAC
☐ 12'x24', 2' lettering, providing Operator's name, site location, and emergency telephone numbers
☐ Signed in compliance with 19.15.3.103 NMAC

☐ **Alternative Method:**
Submittal of an exception request is required. Exceptions must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.

Administrative Approvals and Exceptions:
Justifications and/or demonstrations of equivalency are required. Please refer to 19.15.17 NMAC for guidance.
Please check a box if one or more of the following is requested, if not leave blank:
☒ Administrative approval(s): Requests must be submitted to the appropriate division district or the Santa Fe Environmental Bureau office for consideration of approval.
☐ Exception(s): Requests must be submitted to the Santa Fe Environmental Bureau office for consideration of approval.

Siting Criteria (regarding permitting): 19.15.17.10 NMAC
Instructions: The applicant must demonstrate compliance for each siting criteria below in the application. Recommendations of acceptable source material are provided below. Requests regarding changes to certain siting criteria may require administrative approval from the appropriate district office or may be considered an exception which must be submitted to the Santa Fe Environmental Bureau office for consideration of approval. Applicant must attach justification for request. Please refer to 19.15.17.10 NMAC for guidance. **Siting criteria does not apply to drying pads or above-grade tanks associated with a closed-loop system.**

Ground water is less than 50 feet below the bottom of the temporary pit, permanent pit, or below-grade tank. - NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	☐ Yes ☒ No
Within 300 feet of a continuously flowing watercourse, or 200 feet of any other significant watercourse or lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). - Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Within 300 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. *(Applies to temporary, emergency, or cavitation pits and below-grade tanks)* - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☒ No ☐ NA
Within 1000 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. *(Applies to permanent pits)* - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☒ No ☐ NA
Within 500 horizontal feet of a private, domestic fresh water well or spring that less than five households use for domestic or stock watering purposes, or within 1000 horizontal feet of any other fresh water well or spring, in existence at the time of initial application. - NM Office of the State Engineer - iWATERS database search; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Within incorporated municipal boundaries or within a defined municipal fresh water well field covered under a municipal ordinance adopted pursuant to NMSA 1978, Section 3-27-3, as amended. - Written confirmation or verification from the municipality; Written approval obtained from the municipality	☐ Yes ☒ No
Within 500 feet of a wetland. - US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Within the area overlying a subsurface mine. - Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division	☐ Yes ☒ No
Within an unstable area. - Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources; USGS; NM Geological Society; Topographic map	☐ Yes ☒ No
Within a 100-year floodplain. - FEMA map	☐ Yes ☒ No

Temporary Pits, Emergency Pits, and Below-grade Tanks 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.

- ☐ Hydrogeologic Report (Below-grade Tanks) - based upon the requirements of Paragraph (4) of Subsection B of 19.15.17.9 NMAC
- ☐ Hydrogeologic Data (Temporary and Emergency Pits) - based upon the requirements of Paragraph (2) of Subsection B of 19.15.17.9 NMAC
- ☐ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC
- ☐ 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 - 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: _____ or Permit Number: _____

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.

- ☐ Geologic and Hydrogeologic Data (required for on-site closure) - based upon the requirements of Paragraph (3) of Subsection B of 19.15.17.9
- ☐ Siting Criteria Compliance Demonstrations (required for on-site closure) - based upon the appropriate requirements of 19.15.17.10 NMAC
- ☐ 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 - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC

NMAC

☐ Previously Approved Design (attach copy of design) API Number: _____

Permanent Pits Permit Application 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.

- ☐ Hydrogeologic Report - based upon the requirements of Paragraph (1) of Subsection B of 19.15.17.9 NMAC
- ☐ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC
- ☐ Climatological Factors Assessment
- ☐ Certified Engineering Design Plans - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Dike Protection and Structural Integrity Design - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Leak Detection Design - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Liner Specifications and Compatibility Assessment - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Quality Control/Quality Assurance Construction and Installation Plan
- ☐ Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC
- ☐ Freeboard and Overtopping Prevention Plan - based upon the appropriate requirements of 19.15.17.11 NMAC
- ☐ Nuisance or Hazardous Odors, including H_2S, Prevention Plan
- ☐ Emergency Response Plan
- ☐ Oil Field Waste Stream Characterization
- ☐ Monitoring and Inspection Plan
- ☐ Erosion Control Plan
- ☐ Closure Plan - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC

Proposed Closure: 19.15.17.13 NMAC

Type: ☒ Drilling ☐ Workover ☐ Emergency ☐ Cavitation ☐ Permanent Pit ☐ Below-grade Tank ☐ Closed-loop System ☐ Alternative

Proposed Closure Method: ☐ Waste Excavation and Removal
☐ Waste Removal (Closed-loop systems only)
☒ On-site Closure Method (Only for temporary pits and closed-loop systems)
☐ In-place Burial ☒ On-site Trench Burial
☐ Alternative Closure Method (Exceptions must be submitted to the Santa Fe Environmental Bureau for consideration)

Siting Criteria (regarding on-site closure methods only): 19.15.17.10 NMAC

Instructions: Each siting criteria requires a demonstration of compliance in the closure plan. Recommendations of acceptable source material are provided below. Requests regarding changes to certain siting criteria may require administrative approval from the appropriate district office or may be considered an exception which must be submitted to the Santa Fe Environmental Bureau office for consideration of approval. Justifications and/or demonstrations of equivalency are required. Please refer to 19.15.17.10 NMAC for guidance.

Ground water is less than 50 feet below the bottom of the buried waste. - NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	☐ Yes ☒ No ☒ NA
Ground water is between 50 and 100 feet below the bottom of the buried waste - NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	☐ Yes ☒ No ☒ NA
Ground water is more than 100 feet below the bottom of the buried waste. - NM Office of the State Engineer - iWATERS database search; USGS; Data obtained from nearby wells	☒ Yes ☐ No ☒ NA
Within 300 feet of a continuously flowing watercourse, or 200 feet of any other significant watercourse or lakebed, sinkhole, or playa lake (measured from the ordinary high-water mark). - Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Within 300 feet from a permanent residence, school, hospital, institution, or church in existence at the time of initial application. - Visual inspection (certification) of the proposed site; Aerial photo; Satellite image	☐ Yes ☒ No
Within 500 horizontal feet of a private, domestic fresh water well or spring that less than five households use for domestic or stock watering purposes, or within 1000 horizontal feet of any other fresh water well or spring, in existence at the time of initial application. - NM Office of the State Engineer - iWATERS database; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Within incorporated municipal boundaries or within a defined municipal fresh water well field covered under a municipal ordinance adopted pursuant to NMSA 1978, Section 3-27-3, as amended. - Written confirmation or verification from the municipality; Written approval obtained from the municipality	☐ Yes ☒ No
Within 500 feet of a wetland. - US Fish and Wildlife Wetland Identification map; Topographic map; Visual inspection (certification) of the proposed site	☐ Yes ☒ No
Within the area overlying a subsurface mine. - Written confirmation or verification or map from the NM EMNRD-Mining and Mineral Division	☐ Yes ☒ No
Within an unstable area. - Engineering measures incorporated into the design; NM Bureau of Geology & Mineral Resources; USGS; NM Geological Society; Topographic map	☐ Yes ☒ No
Within a 100-year floodplain. - FEMA map	☐ Yes ☒ No

Waste Excavation and Removal Closure Plan Checklist: (19.15.17.13 NMAC) ***Instructions: Each of the following items must be attached to the closure plan. Please indicate, by a check mark in the box, that the documents are attached.***

- ☐ Protocols and Procedures - based upon the appropriate requirements of 19.15.17.13 NMAC
- ☐ Confirmation Sampling Plan (if applicable) - based upon the appropriate requirements of Subsection F of 19.15.17.13 NMAC
- ☐ Disposal Facility Name and Permit Number (for liquids, drilling fluids and drill cuttings)
- ☐ 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

Waste Removal Closure For Closed-loop Systems That Utilize 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.***

Disposal Facility Name: _____ Disposal Facility Permit Number: _____

On-Site Closure Plan Checklist: (19.15.17.13 NMAC) ***Instructions: Each of the following items must be attached to the closure plan. Please indicate, by a check mark in the box, that the documents are attached.***

- ☒ Siting Criteria Compliance Demonstrations - based upon the appropriate requirements of 19.15.17.10 NMAC
- ☒ Proof of Surface Owner Notice - based upon the appropriate requirements of Subsection F of 19.15.17.13 NMAC
- ☒ Construction and Design of Burial Trench (if applicable) based upon the appropriate requirements of 19.15.17.11 NMAC
- ☒ Protocols and Procedures - based upon the appropriate requirements of 19.15.17.13 NMAC
- ☒ Confirmation Sampling Plan (if applicable) - based upon the appropriate requirements of Subsection F of 19.15.17.13 NMAC
- ☒ Waste Material Sampling Plan - based upon the appropriate requirements of Subsection F of 19.15.17.13 NMAC
- ☒ Disposal Facility Name and Permit Number (for liquids, drilling fluids and drill cuttings or in case on-site closure standards cannot be achieved)
- ☒ Soil Cover Design - 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

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): Cam Robbins Title: Foreman

Signature: Cam Robbins Date: 8/25/08

e-mail address: _____ Telephone: 575-390-4677

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

OCD Representative Signature: _____ **Approval Date:** 8.29.08

Title: ENVIRONMENTAL ENGINEER **OCD Permit Number:** P1-00881

Closure Report (required within 60 days of closure completion): Subsection K of 19.15.17.13 NMAC

☐ **Closure Completion Date:** _____

Closure Method:

☐ Waste Excavation and Removal ☒ On-Site Closure Method ☐ Alternative Closure Method

☐ If different from approved plan, please explain.

Closure Report Attachment Checklist: ***Instructions: Each of the following items must be attached to the closure report. Please indicate, by a check mark in the box, that the documents are attached.***

- ☐ Proof of Closure Notice
- ☐ Proof of Deed Notice (if applicable)
- ☐ Plot Plan
- ☐ Confirmation Sampling Analytical Results
- ☐ Waste Material Sampling Analytical Results
- ☐ Disposal Facility Name and Permit Number
- ☐ Soil Backfilling and Cover Installation
- ☐ Re-vegetation Application Rates and Seeding Technique
- ☐ Site Reclamation (Photo Documentation)

On-site Closure Location: Latitude _____ Longitude _____ NAD: ☐1927 ☐ 1983

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: _____

Blade Services LLC
Phone # (575) 390-5004
Hobbs, NM 88240

August 24, 2008

Melrose Operating Company
1000 W. Wilshire, Suite 223
Oklahoma City, OK 73116

Attn: Mr. Cam Robbins
Production Supervisor

RE: Work Plan For Pit Closure Located at Jalmat Field Yates Sand, Unit # 187; U/L A Sec 13, T22S and R35E, API #30-025-38873 of Lea County, New Mexico

Dear Mr. Robbins:

Blade Services LLC, Inc. would like to take this time to thank you and Melrose Operating Co., for the opportunity to provide our professional services. Attached you will find our work plan and cost for the above listed site.

If you have any questions and/or need more data in regards to projects please call at any time. You can reach me at 575-390-5004

Sincerely,

Rick Navarrette,
Sr. Project Manager
Blade Services LLC

Summary/Overview

The Jalmat Field Yates Sand unit site should be completed and remediated in accordance with the standards of the NMOCD. Pit closure of the temporary drilling pit will be addressed accordingly.

The potential contaminates of concern are mid to high-level concentrations of production water and drill cuttings circulated into a temporary drilling pit from well bore.

The lands primary use is domestic pasture for ranching and the production of oil and gas.

The USGS-OCD water map for this area shows the depth to ground water to be in the 250' range BGS.

Pursuant to the standards of the NMOCD, the clean up level for this site will be at <5,000ppm of TPH, <50ppm for BTEX and chlorides less than <500ppm.

The following scope of work was based on data from our site visit and the requirements of the NMOCD for site clean up.

Scope of Work for Entombment and site reclamation

Note: Melrose Operating Co. has requested for Blade Services, LLC., to remove and remediate reserve pit drill cuttings for pit closure. Melrose has also requested that Blade Services submit a copy of results and reclamation plan to NMOCD for entombment of impacted soils.

- ✓ First Blade Services will call One-Call for line spot clearance before any excavation at the site is started.

- ✓ Blade Services will mobilize to the site located in the area Southwest of Eunice, NM equipment and personnel necessary to start and complete the site remediation as required to get the site back into compliance.

- ✓ Blade Services will have Ricky Navarrette delineate the site vertical and horizontal for chloride's to determine the extent of impacted soil. Samples will then be sent to Trace Analysis lab for analysis. Once analysis are sent back with the results NMOCD will then be contacted for approval before any capping or pit closure is resumed. Due to the size of reserve pit, Blade Services will split the site into quadrants testing 25% of impacted soils. Blade Services will test the vertical; starting one foot from mud removal into deep bury pit.

- ✓ Blade Services LLC., will then start excavation of impacted soil for on-site deep bury pit. Impacted soils will then be mixed on a 3 to 1 ratio, then taking a grab sample from mixture and taking sample to Trace Analysis for a paint filtration testing method. Once method is determined that mixture has passed and approved by OCD. Mixture will then be placed in an approved reinforced 20ml poly liner from West Texas plastics for entombment. The entombment pit will be approximately 100x40x20 foot deep; which will hold 2,900 cubic yards of material. Once all contents are placed in entombment pit; Blade Services will cap pit with an approved 20ml poly liner from West Texas Plastics. Then pit will be backfilled so that contents are 4 foot below ground level.

- ✓ Blade Services will have Ricky Navarrette field screen the site during the excavation and once the levels have dropped below NMOCD guidelines, final samples will be personally taken to Trace Analysis lab for analysis.

- ✓ If site does not clear NMOCD guidelines on the 3 to 1 mix ratio; this will be determined with a paint filter testing method at Trace Analysis. Blade Services will then submit a request for waste removal to the NMOCD office. Then waste material will be transferred to (Sundance Disposal) or and approved NMOCD disposal site.

- ✓ Once all of the remediation criteria has been met for site closure and compliance, the site will be backfilled with clean material from the site. The site will be contoured with a slight crown to prevent the ponding of any rain water and reseeded; with the

proper seed according to the NMOCD. Vegetative cover will equal 70% of the native perennial vegetative cover consisting of at least three native plant species, including at least one grass, but not including noxious weeds, and maintain that cover through two successive growing seasons or until successful growth is established.

✓ Trench burial pit will be marked by an approved steel maker, no less than four inches in diameter, cemented in a hole three feet deep in the center of the onsite burial. The marker will be flushed with the ground to allow access of the active well pad and for safety concerns. The marker will include a threaded collar to be used for future abandonment. The top of the marker will contain a welded steel plate 12" square that indicates the onsite burial of the temporary pit. The plate will be easily removable and a four foot tall riser will be threaded into the top of the collar marker and welded around the base with the operator's information. The operator's information will include the following: Operator name, ease name, well name and number, unit number, section, township, range and an indicator that the marker is an onsite burial location.

9. Once all of the closure criteria have been met, a final closure report will be prepared by Blade Services. This report will include a summary of remediation operations, findings on-site and lab analysis, site maps and project photos.

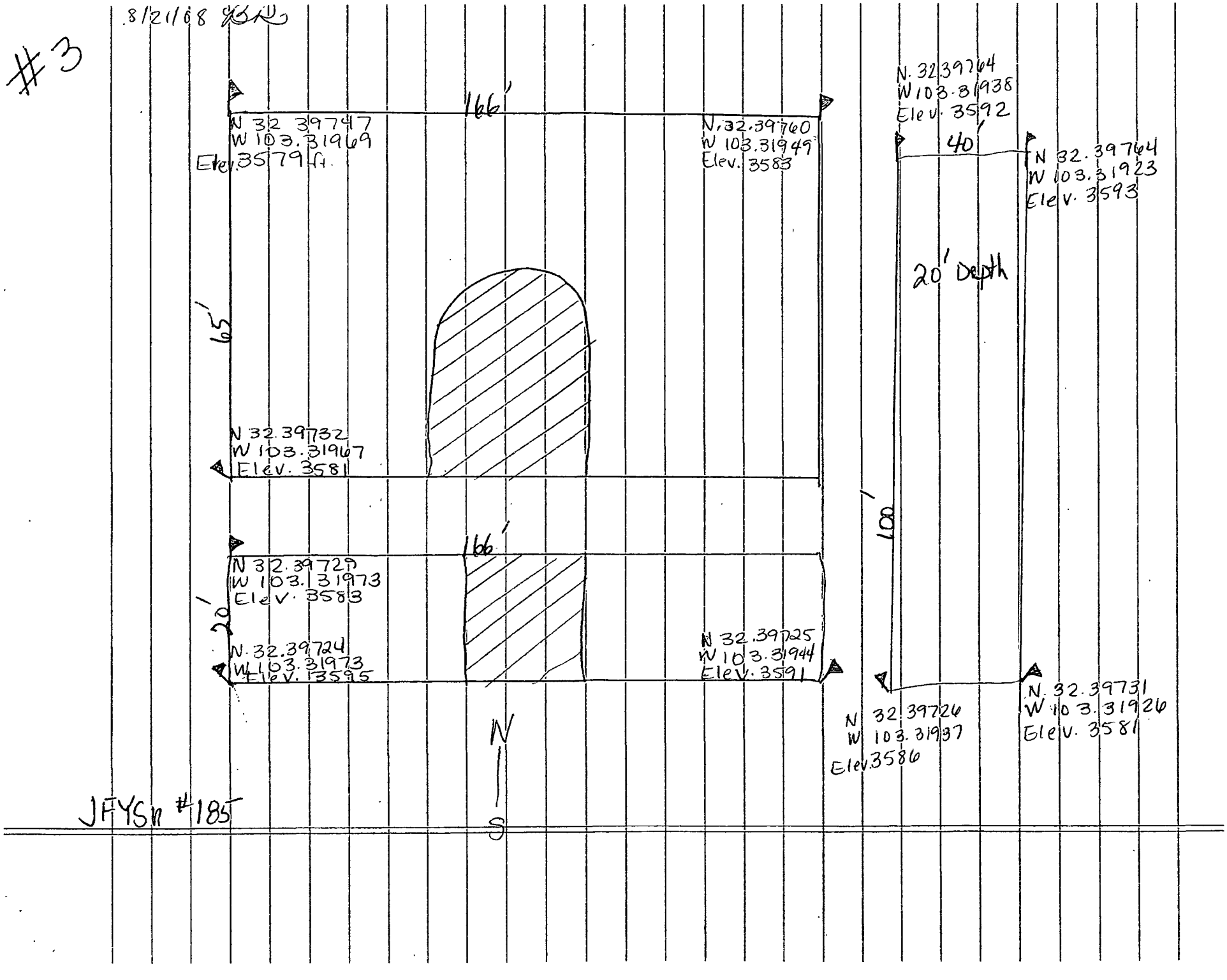
If you have any questions and/or need more data in regards to this project please call 575-390-5004 at any time.

Sincerely,

Rick Navarette,
Sr. Project Manager
Blade Services LLC.

8/21/08

#3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W 103.31969
Elev. 3579 ft.
N. 32.39760
W 103.31949
Elev. 3583
65'
N 32.39732
W 103.31967
Elev. 3581
166'
N 32.39729
W 103.31973
Elev. 3583
20'
N. 32.39724
W 103.31973
Elev. 3595
N 32.39725
W 103.31944
Elev. 3591
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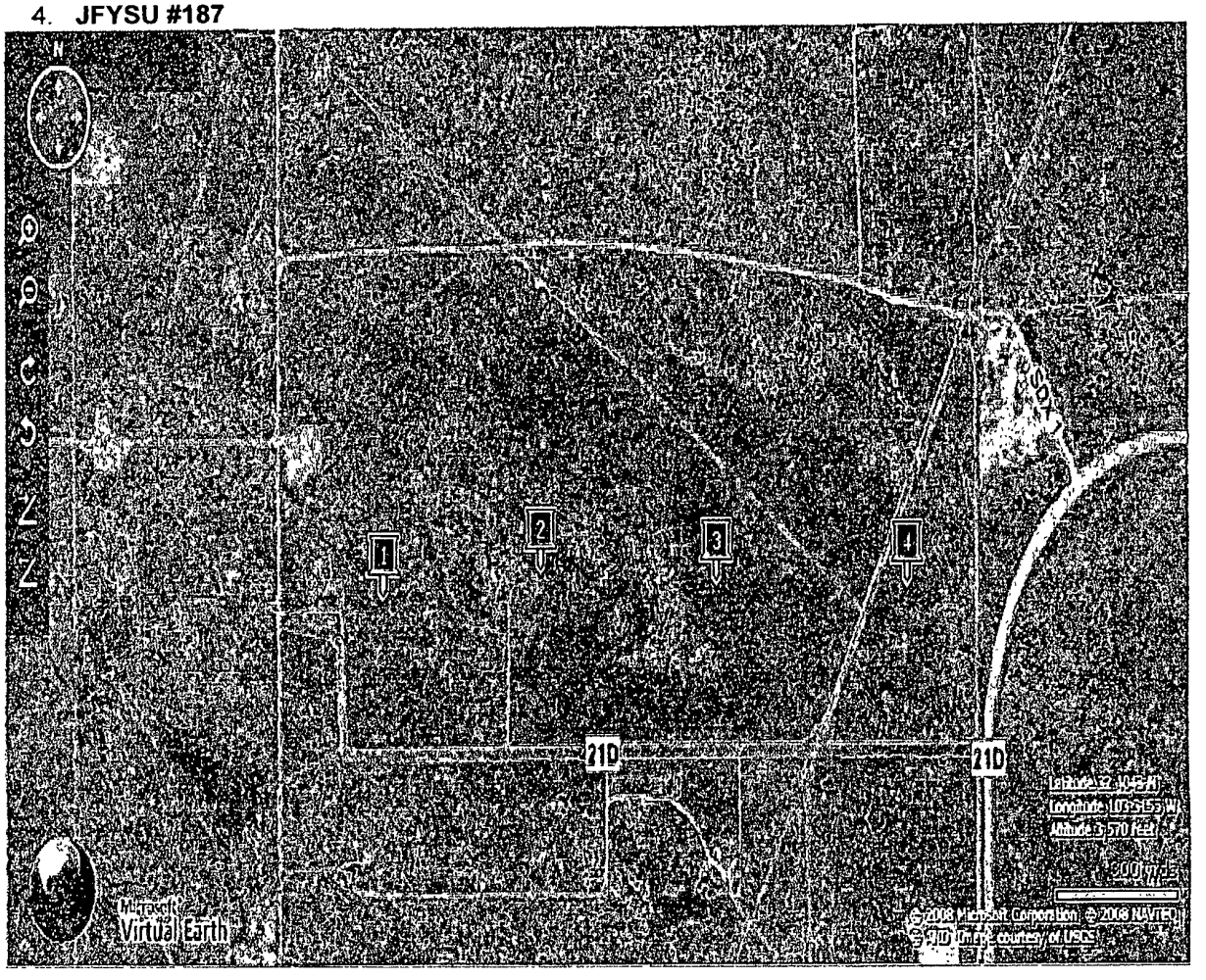
S
JFYSn #185
N. 32.39764
W 103.31938
Elev. 3592
40'
N 32.39764
W 103.31923
Elev. 3593
20' Depth
100'
N 32.39726
W 103.31937
Elev. 3586
N. 32.39731
W 103.31926
Elev. 3581

Live Search Maps

Melrose Operating Inc.

1. **JFYSU #179**
2. **JFYSU #180**
3. **JFYSU #185**
4. **JFYSU #187**



Live Search Maps

Melrose Operating Inc.

1. **JFYSU #179**
   Unit D,Sec13,T22S,R35E API#30-025-38869
2. **JFYSU #180**
   Unit C,Sec13,T22S,R35E API #30-025-38925
3. **JFYSU #185**
   Unit B,Sec13,T22S,R25E API #30-025-38872
4. **JFYSU #187**