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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 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: McElvain Oil & Gas Properties, Inc. OGRID #: 22044
Address: 1050 17th St. Ste. 1800 Denver CO 80265
Facility or well name: Caprock State 27 #1
API Number: 30-025-39521 OCD Permit Number: PI-01367
U/L or Qtr/Qtr: N Section 27 Township 18S Range 34E County: Lea
Center of Proposed Design: Latitude 32-42'-45.43" Longitude 103-33'-01.09" 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. Signer: 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
McElvain Oil & Gas Properties, Inc.
UL-N S27-T18S-R34E
303-893-0933

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: 30-025-28997
☒ Previously Approved Operating and Maintenance Plan API Number: 30-025-28997

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: Sundance Inc. Disposal Facility Permit Number: NM-01-0003
Disposal Facility Name: CRI Incorporated Disposal Facility Permit Number: NM-01-0006

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) ☒ 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): E. Reed Fischer Title: Sr. Operations Engineer

Signature: [Signature] Date: 8/14/09

e-mail address: RFischer@McElvain.com Telephone: 303-893-0933 X330

7.
OCD Approval: ☒ Permit Application (including closure plan) ☐ Closure Plan (only)
OCD Representative Signature: [Signature] Approval Date: 09/24/09
Title: Geologist OCD Permit Number: PI-D1367

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: Sundance Inc. Disposal Facility Permit Number: NM-01-0003
Disposal Facility Name: CRI Incorporated Disposal Facility Permit Number: NM-01-0006
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): E. Reed Fischer Title: Sr. Operations Engineer
Signature: _____ Date: _____
e-mail address: RFischer@McElvain.com Telephone: 303-893-0933 X330

**CLOSED LOOP SYSTEM for Re-COMPLETION & WORK-OVER
OPERATIONS SITUATED ON AN EXISTING WELL PAD
(No Pits, Sumps or Below Grade Tank(s) & No On-Site Burial)**

Design & General Information

All well and work-over liquids and any returned or introduced solids will circulate through, be contained or stored in, and removed from a closed system situated above ground and consisting of steel tanks and piping, pumps, and pressure rated flex hoses. The system is designed to prevent contamination from temporary operations conducted on an existing well and consists of interchangeable flow-lines and/or injection lines from the wellhead and/or above the BOPs or stripping/containment head to the pump(s) and/or steel containment tanks. In addition:

1. No additional surface disturbance is anticipated on this existing well pad and no additional stockpiling of topsoil is necessary.
2. The existing location includes signage compliant with 19.15.3.103 NMAC
3. No fencing or netting is necessary as there will be no pits or below grade tanks and no drying pads.
4. All liquid and solid wastes will be transported off-site for disposal at commercially sanctioned disposal facilities. There will be no on-site burial.

Operation and Maintenance

Personnel trained and experienced with the closed system equipment will operate, inspect and maintain the equipment in order to ensure efficient and safe operation and expedite repairs. All equipment will be operated within the manufacture's/supplier's guidelines in a safe and workmanlike manner. Well effluents and the necessary work-over and stimulation fluid additives will be appropriately delivered, contained, used, recycled, reused and/or reclaimed within the closed system in order to prevent contamination. There will be no pits, below grade tanks or sumps and the timely disposal of all wastes will occur off-site at approved facilities according to NMOCD regulations.

Closure Plan

Upon completion of the work-over/re-completion operation, the closed system (which utilizes no pits, below grade tanks, drying pads or on-site burial) will be emptied of solid and liquid wastes, disassembled and removed within the time periods provided for in NMOCD rule 19.15.17.13. All wastes will be disposed of at an NMOCD permitted facility according to NMOCD guidelines.