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State of New Mexico

OCT 21 2009

Form C-144 CLEZ
July 21, 2008

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

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Energy Minerals and Natural Resources
Department
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

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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.

| | |
|--|--|
| <p>1. Operator: <u>Yates Petroleum Corporation</u> OGRID #: <u>025575</u></p> <p>Address: <u>105 South Fourth Street Artesia, NM 88210</u></p> <p>Facility or well name: <u>MERLE ST UNIT #5</u> REVISION</p> <p>API Number: <u>30-025-37911</u> OCD Permit Number: <u>PI-01224</u></p> <p>U/L or Qtr/Qtr <u>A</u> Section <u>23</u> Township <u>10</u> Range <u>34</u> County: <u>LEA</u></p> <p>Center of Proposed Design: Latitude _____ Longitude _____ NAD: <input type="checkbox"/> 1927 <input type="checkbox"/> 1983</p> <p>Surface Owner: <input type="checkbox"/> Federal <input checked="" type="checkbox"/> State <input type="checkbox"/> Private <input type="checkbox"/> Tribal Trust or Indian Allotment</p> | |
| <p>2. <input type="checkbox"/> Closed-loop System: Subsection H of 19.15.17.11 NMAC</p> <p>Operation: <input type="checkbox"/> Drilling a new well <input checked="" type="checkbox"/> Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent) <input type="checkbox"/> P&A</p> <p><input checked="" type="checkbox"/> Above Ground Steel Tanks or <input type="checkbox"/> Haul-off Bins</p> | |
| <p>3. Signs: Subsection C of 19.15.17.11 NMAC</p> <p><input type="checkbox"/> 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers</p> <p><input checked="" type="checkbox"/> Signed in compliance with 19.15.3.103 NMAC</p> | |
| <p>4. Closed-loop Systems Permit Application Attachment Checklist: Subsection B of 19.15.17.9 NMAC</p> <p>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.</p> <p><input checked="" type="checkbox"/> Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC</p> <p><input type="checkbox"/> Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC</p> <p><input type="checkbox"/> 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</p> <p><input type="checkbox"/> Previously Approved Design (attach copy of design) API Number: _____</p> <p><input type="checkbox"/> Previously Approved Operating and Maintenance Plan API Number: _____</p> | |
| <p>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)</p> <p>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.</p> <p>Disposal Facility Name: <u>LOVELADY SWD YPC</u> Disposal Facility Permit Number: <u>SWD-294</u></p> <p>Disposal Facility Name: <u>BROWN SWD YPC</u> Disposal Facility Permit Number: <u>SWD-324</u></p> <p>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?</p> <p><input type="checkbox"/> Yes (If yes, please provide the information below) <input checked="" type="checkbox"/> No</p> <p>Required for impacted areas which will not be used for future service and operations:</p> <p><input type="checkbox"/> Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC</p> <p><input type="checkbox"/> Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC</p> <p><input type="checkbox"/> Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC</p> | |
| <p>6. Operator Application Certification:</p> <p>I hereby certify that the information submitted with this application is true, accurate and complete to the best of my knowledge and belief.</p> <p>Name (Print): <u>Mike Allen</u> Title: <u>Completions Superintendent</u></p> <p>Signature: <u>[Signature]</u> Date: <u>6/22/09</u></p> <p>e-mail address: <u>mikea@yatespetroleum.com</u> Telephone: <u>575-748-1471</u></p> | |

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

OCD Representative Signature: _____

Approval Date: _____

Title: _____

Geologist

OCD Permit Number: _____

P1-01224

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: _____

7-2-09

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: _____

LOVELAND SWD #1

Disposal Facility Permit Number: _____

AP# 300052047400

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

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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): _____

MIKE ALLEN

Title: _____

COMPLETION SULT

Signature: _____

Mike Allen

Date: _____

10-16-09

e-mail address: mikea@yatespetroleum.com

Telephone: 575-748-147

Larry W. Lipp

DISTRICT 1 SUPERVISOR

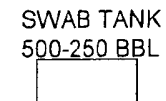
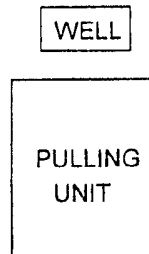
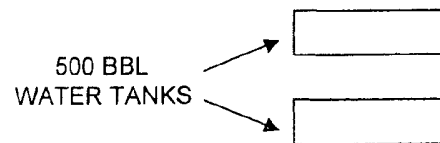
OCT 28 2009



105 South 4th Street * Artesia, NM 88210
(575)-748-1471

Attachment to C-144 CLEZ

WORKOVER



MARTIN YATES, III

1912-1985

FRANK W. YATES

1936-1986

S.P. YATES

1914-2008



105 SOUTH FOURTH STREET
ARTESIA, NEW MEXICO 88210-2118
TELEPHONE (575) 748-1471

JOHN A. YATES
CHAIRMAN OF THE BOARD
PRESIDENT

JOHN A. YATES JR.
ASSISTANT TO THE PRESIDENT

JAMES S. BROWN
CHIEF OPERATING OFFICER

JOHN D. PERINI
CHIEF FINANCIAL OFFICER

October 20, 2009

Mr. Buddy Hill
Oil Conservation Division
District I
1625 French Drive
Hobbs, New Mexico 88240

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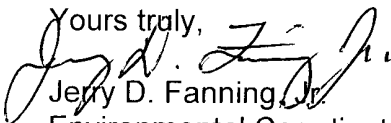
HOBBSOCD

Mr. Hill:

On 10-16-2009 I contacted Mr. Carl Chavez with the Environmental Division of the Oil Conservation Division in Santa Fe to explain that Yates Petroleum Corporation had discovered internally that we had several approved C-144 CLEZ permits which involved work over activities where the work had been completed but due to a misunderstanding of the "new process" the C-144 CLEZ Closure Reports had inadvertently not been sent in. I asked Mr. Chavez how we should address this matter. Mr. Chavez stated that Yates should complete those Closure Reports and submit them to the appropriate District Offices as soon as possible with the attached explanation. Mr. Chavez also explained that these reports should be submitted within the 60 day required time limit as stated on the form. I assured Mr. Chavez that Yates would resolve the problem internally and that we will have future closures submitted within the allotted time.

I have enclosed 8, C-144 CLEZ completed closure plans which were discovered in our office that had not been submitted. If you should have any questions pertaining to these reports please feel free to contact Mr. Mike Allen, Completion Superintendent for Yates Petroleum at 575-748-1471 or myself at the number below.

Thanks for your help and understanding in this matter.

Yours truly,


Jerry D. Fanning, Jr.
Environmental Coordinator
Yates Petroleum Corporation
Artesia, New Mexico 88210
575-748-4195

cc. Mr. Carl Chavez

KATHY H. PORTER
SECRETARY

DENNIS G. KINSEY
TREASURER