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State of New Mexico  
Energy Minerals and Natural ResourcesMAY 05 2010 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

MAY 06 2010

HOBBSOCD

Department  
Oil Conservation Division  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

HOBBSOCD  
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 NMOC 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: Chesapeake Operating, Inc. OGRID #: 147179  
Address: P.O. Box 18496 Oklahoma City, OK 73154-0496  
Facility or well name: Hornet State #1  
API Number: 30-025-36391 OGD Permit Number: 91-01535  
U/L or Qtr/Qtr D Section 3 Township 19 South Range 34 East County: Lea  
Center of Proposed Design: Latitude: 32.694690 Longitude: -103.55441 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. 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

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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: \_\_\_\_\_  
☐ 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 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: Controlled Recovery, Incorporated. Disposal Facility Permit Number: NM-01-0006  
Disposal Facility Name: Sundance Disposal Disposal Facility Permit Number: NM-01-0003

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): Bryan Arrant Title: Senior Regulatory Compl. Sp.

Signature: [Signature] Date: 12/02/2009

e-mail address: bryan.arrant@chk.com Telephone: (405)935-3782

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

OCD Representative Signature: *Terry W. Lipp* Approval Date: DEC 02 2009

Title: DISTRICT 1 SUPERVISOR OCD Permit Number: 41-01535

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8. **Closure Report (required within 60 days of closure completion):** Subsection K of 19.35.17.13 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: 1-22-10

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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: \_\_\_\_\_ 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

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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): Pat Richards Title: Production Assistant

Signature: *Pat Richards* Date: 2-15-10

e-mail address: pat.richards@chK.com Telephone: 575-391-1462

\* No fluids or solids to surface therefore nothing to haul.

ELG 5-10-10

**Chesapeake Operating, Inc.'s Closed Loop System  
Hornet State # 1  
Unit D, Sec. 3, T-19-S R-34-E  
Lea Co., NM  
API #: 30-025-36391**

**Equipment & Design:**

**Chesapeake Operating, Inc. is to use a closed loop system in the plug & abandonment of this well.**

**(1) 500 bbl "frac" tank**

**Operations & Maintenance:**

**During each and every tour, the rig's crew will inspect and monitor closely the fluids contained within the steel pits and visually monitor any spill which may occur.**

**Within 48 hours should a spill, release or leak occur, the NMOCD District I office in Hobbs (575-393-6161) will be notified. Please note that notifications may be made earlier to the district office should a greater release occur.**

**Closure:**

**After plug & abandonment operations, fluids will be hauled and disposed to Controlled Recovery, Inc.'s location.**

**The permit number for Controlled Recovery, Inc. is: NM-01-0006**

**The alternative disposal facility will be Sundance Disposal.**

**Their permit # is: NM-01-0003.**