

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

RECEIVED
JUN 21 2010
HOBBSOCD

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

* Amended

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
Facility or well name: Perseus 10 Federal Com. # 3H ✓
API Number: 30-005-29137 ✓ OCD Permit Number: PI-02037 ✓
U/I. or Qtr/Qtr H Section 10 Township 15 South Range 31 East County: Chaves ✓
Center of Proposed Design: Latitude 33.032107 Longitude -103.80100 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"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers
☒ Signed in compliance with 19.15.3.103 NMAC

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 * Amended
☒ 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.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: Controlled Recovery, Inc. 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: Bryan Arrant Date: 06/17/2010
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: _____ Approval Date: 06/23/10

Title: Geologist OCD Permit Number: _____

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: _____ 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

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): _____ Title: _____

Signature: _____ Date: _____

e-mail address: _____ Telephone: _____

**Chesapeake Operating, Inc.'s Closed Loop System
Perseus 10 Federal Com. # 3H
Unit H, Sec. 10, T-15-S R-31-E
Chaves Co., NM
API # 30-005-29137**

A Equipment & Design:

Chesapeake Operating, Inc. is to use a closed loop system with roll-off steel pits.

(1) Vortex fluid system linear motion shale shaker.

(1) 500 bbl. frac tank for fresh water storage.

(1) 500 bbl. frac tank for brine water storage.

For additional information, please see attached page.

Operations & Maintenance:

During each and every tour, the rig's drilling crew will inspect and monitor closely the drilling 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:

During and after drilling operations, liquids (which apply), all drill cuttings and drilling fluids will be hauled and disposed to the 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.



WESTERN DRILLING, INC.



RIG #6

CLASSIFICATION:

National 100M Modified by National Oilwell
to 1,600 HP Input

DRILLING DEPTH:

17,000'

POWER SYSTEM:

Three (3) Caterpillar D379 engines each with
National Torque converters driving a Three (3)
engine inline compound

RIG GENERATORS:

Two (2) Caterpillar D3412 engines with 500 KW AC
generators

DRAWWORKS:

National 100M Modified by National Oilwell
to 1,600 HP Input with 1-3/8" Lebus grooving
Three (3) Engine Inline Compound
Single Pump Drive (3) Caterpillar 379, 550 HP w/
National/Oilworks C245 Torque Converter

MAST:

Lee C. Moore 142' x 21' base, 950,000# Rating

DRILL LINE:

1-3/8" drilling line

SUBSTRUCTURE:

Lee C. Moore Type 22' high substructure, 1,000,000#
Rotary capacity with 500,000# setback capacity

MUD PUMPS:

Two (2) Continental Emsco D1650 pumps
One (1) Compound Driven, One (1) Driven by 398

ROTARY:

Hackler 27-1/2"

TRAVELING BLOCK:

National 500 Ton Block
BJ 5500 - 500 Ton Hook

SWIVEL:

National N-1324 (500 Ton)

DRILL PIPE:

15,000' , 5" Drill pipe , 25.60 E & G, 4-1/2" IF

DRILL COLLARS:

Twenty (20) - 8" Drill Collars
Twenty-nine (29) - 6 1/2" Drill Collars

KELLY:

5-1/4" Hex X 40'

ANNULAR PREVENTER:

Cameron "D" Annulur - 5,000# Rating

RAM PREVENTERS:

Cameron "U" Double 13-5/8 5,000#

ACCUMULATOR SYSTEM:

Koomey six (6) station, 80 gallon capacity
with dual air pumps and one (1) electric pump
Cameron Station

MUD TANK SYSTEM:

Four (4) tank 1,600 barrel total - BBL Pre-mix
pit, Vortex Fluid System Shale Shaker

MUD MIXING PUMPS:

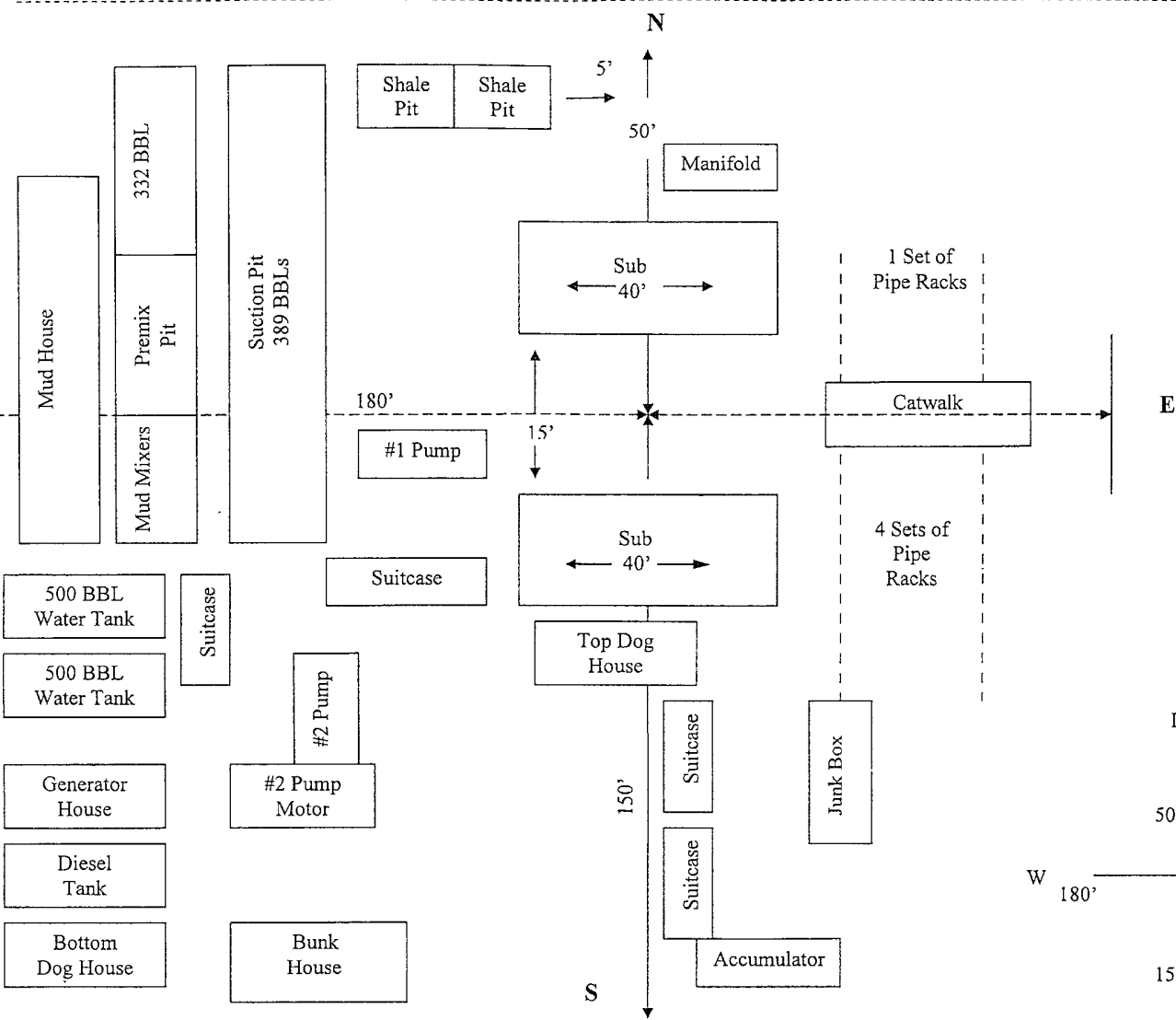
Two (2) 5" x 6" centrifugal pumps, each driven
by 60 HP electric motors

AUXILIARY EQUIPMENT:

One (1) Tool Pusher Quarters
Two (2) 500 BBL Water Tanks
One (1) Automatic Driller
Two (2) Air Hoists
One (1) Drilling Recorder

Western Drilling Rig # 6

W



Location

