

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
RECEIVED Minerals and Natural Resources
Department
AUG 16 2010 Oil Conservation Division
1220 South St. Francis Dr.
HOBBSOCD 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: x ☐ 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.

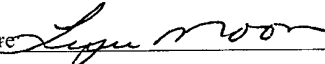
1.
Operator: Merit Energy Company OGRID #: 14591
Address: 13727 Noel Rd. Suite 500 Dallas, Texas 75240
Facility or well name: Fanning B #2
API Number: 30-025-39879 OCD Permit Number: P1-02355
U/L or Qtr/Qtr A Section 33 Township 23S Range 37E County Lea
Center of Proposed Design: Latitude N33° 09' 58.57 Longitude W103° 47' 22.43W NAD: X ☐ 1927 ☐ 1983
Surface Owner: ☐ Federal ☐ State X ☐ Private ☐ Tribal Trust or Indian Allotment

2.
X ☐ **Closed-loop System:** Subsection H of 19.15.17.11 NMAC
Operation: X ☐ 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 X ☐ Haul-off Bins

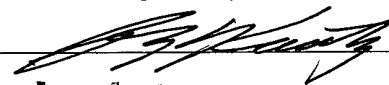
3.
Signs: Subsection C of 19.15.17.11 NMAC
X ☐ 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers
☐ Signed in compliance with 19.15.3.103 NMAC

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.
X ☐ Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC
X ☐ Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC
X ☐ 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: Gandy Marley Disposal Facility Permit Number NMOCD 711-1-0020
Disposal Facility Name: Disposal Facility Permit Number: _____
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) X ☐ 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): Lynne Moon Title: Regulatory Manager
Signature:  Date: 08/10/2010
e-mail address: lynne.moon@meritenergy.com Telephone: 972-628-1569

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

OCD Representative Signature:  Approval Date: 08/20/10
Title: Geologist OCD Permit Number: P1-02355

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 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

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: _____

RIG - UDI 201



MERIT ENERGY COMPANY

13727 Noel Road Suite 500 Dallas, Texas 75240
Ph 972.701.8377 Fx 972.960.1252 www.meritenergy.com

August 10, 2010

Ms. Donna Mull
District 1 Staff Specialist
New Mexico Oil & Gas Division
1625 N. French Dr.
Hobbs, New Mexico 88240

RECEIVED

**AUG 10 2010
HOBBSOCD**

Re: APD – Fanning B #2
Sec. 33-T23S-R37E
Lea Co., New Mexico

Dear Ms. Mull,

Attached for your review are the Form C-101 (Application for Permit to Drill) and Form C-102 (Well Location and Acreage Dedication Plat) for your review.

Also attached is the C-144 Form; H2S calculations showing non-hazardous radius of exposure areas, BOP requirements, mud program, maps and rig plats. Drilling operations are scheduled to start as soon as possible.

With regards to Form C-144 CLEZ item #4: please accept the attached Closed Loop System schematic for the design plan, likewise the Operating and Maintenance plan will consist of continuous supervision of the closed loop system (comprising of daily inspections and walk-arounds) with the understanding operations will be immediately shut down in the event of a leak and the OCD will be notified, furthermore the Closure Plan will not be necessary because of the transportation of solids in Gandy Haul Off Boxes (20 ft X 8 ft X 46") to the disposal facility (Permit #NMOCD 711-1-0020).

Please contact me with any questions. I can be reached at 972-628-1697 or email john.petty@meritenergy.com.

Sincerely,

MERIT ENERGY COMPANY

John Petty
Operations Engineer