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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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: Yates Petroleum Corporation OGRID #: 025575

Address: 105 South Fourth Street, Artesia, New Mexico 88210

Facility or well name: Quijote BQJ State Com #1H

API Number: 30-025-39947 OCD Permit Number: P1-02605

U/L or Qtr/Qtr B Section 2 Township 26S Range 32E County: Lea

Center of Proposed Design: Latitude N32.078394 Longitude W103.643700 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

☒ 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 indentify 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: NM-01-0019

Disposal Facility Name: CRI Disposal Facility Permit Number: R-9166

Disposal Facility Name: Lea Land Farm Disposal Facility Permit Number: WM-1-035

Disposal Facility Name: Sundance Services Inc. 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): Monti Sanders Title: Land Regulatory Technician

Signature: M Sanders Date: 11/4/10

e-mail address: montis@yatespetroleum.com Telephone: 575-748-4244

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

OCD Representative Signature: [signature] **Approval Date:** 11/08/10

Title: Geologist **OCD Permit Number:** P1-02605

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:

Yates Petroleum Corporation
Closed Loop System

Equipment Design Plan

Closed Loop System will consist of:
1 – double panel shale shaker
1 – (minimum) Centrifuge, certain wells and flow rates may require 2 centrifuges
On certain wells, the Centrifuge will be replaced by a Clackco Settling Tank System
1 – minimum centrifugal pump to transfer fluids
2- 500 bbl. FW Tanks
1 – 500 bbl. BW Tank
1 – half round frac tank – 250 bbl. capacity as necessary to catch cement / excess mud returns generated during a cement job.
1 Set of rail cars / catch bins
Certain wells will use an ASC Auger Tank

Operation Plan

All equipment will be inspected at least hourly by rig personnel and daily by contractors' personnel.
Any spills / leaks will be reported to YPC, NMOCD, and cleaned up without delay.

Closure Plan

Drilling with Closed Loop System, haul off bins will be taken to Gandy Marley, Lea Land Farm, CRI or Sundance Services Inc.

Contingency Casing Design

If hole conditions dictate, 7" casing will be set at 10,200' MD (9,850' TVD). A 6 1/8" hole will then be drilled to 14,185' MD (9,850' TVD) where 4 1/2" casing will be set and cemented with one stage up to dv tool. After completion procedures, the 4 1/2" casing will be cut and pulled at 9300'.

2nd Intermediate

0 ft to 300 ft				Make up Torque ft-lbs			Total ft = 300
O.D.	Weight	Grade	Threads	opt.	min.	mx.	
7 inches	26 #/ft	L-80	LT&C	5110	3830	6390	
Collapse Resistance	Internal Yield	Joint Strength		Body Yield		Drift	
5,410 psi	7,240 psi	511 ,000 #		604 ,000 #		6.151	

300 ft to 5,800 ft				Make up Torque ft-lbs			Total ft = 5,500
O.D.	Weight	Grade	Threads	opt.	min.	mx.	
7 inches	26 #/ft	J-55	LT&C	3670	2750	4590	
Collapse Resistance	Internal Yield	Joint Strength		Body Yield		Drift	
4,320 psi	4,980 psi	367 ,000 #		415 ,000 #		6.151	

5,800 ft to 8,100 ft				Make up Torque ft-lbs			Total ft = 2,300
O.D.	Weight	Grade	Threads	opt.	min.	mx.	
7 inches	26 #/ft	L-80	LT&C	5110	3830	6390	
Collapse Resistance	Internal Yield	Joint Strength		Body Yield		Drift	
5,410 psi	7,240 psi	511 ,000 #		604 ,000 #		6.151	

DV tools placed at 8900' & 7000'.
Stage I: Cemented w/275sx PVL (YLD 1.41 Wt 13) TOC= 8900'
Stage II: Cemented w/400sx PVL (YLD 1.41 Wt 13) TOC= 7000'
Stage III: Cemented w/250sx Lite Crete (YLD 2.66 Wt 9.9), tail w/100sx PVL (YLD 1.41 Wt 13) TOC= 4250'

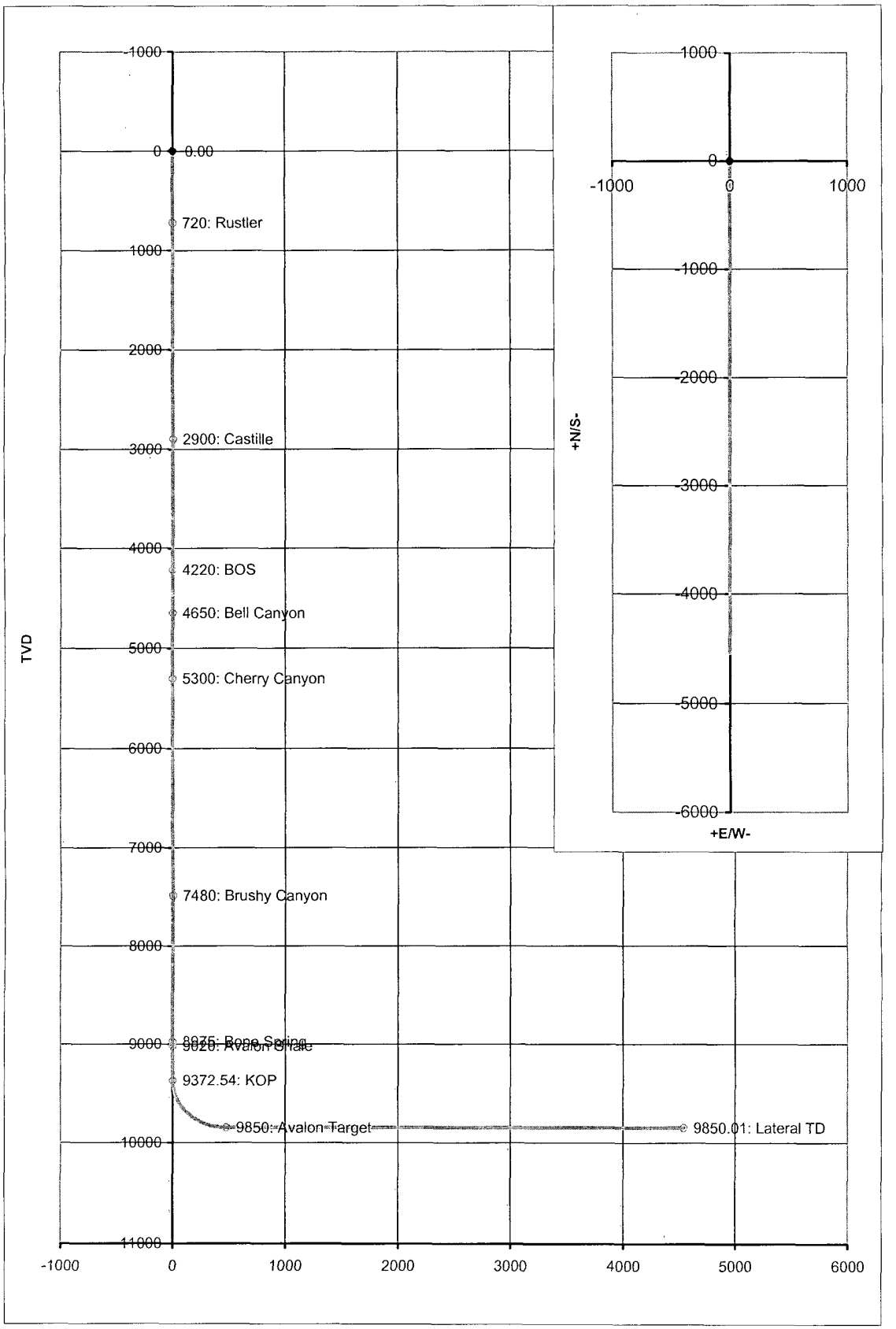
Production

0 ft to 14,185 ft				Make up Torque ft-lbs			Total ft = 14,185
O.D.	Weight	Grade	Threads	opt.	min.	mx.	
4.5 inches	11.6 #/ft	HCP-110	LT&C	3020	2270	3780	
Collapse Resistance	Internal Yield	Joint Strength		Body Yield		Drift	
8,650 psi	10,690 psi	279 ,000 #		367 ,000 #		3.875	

DV tool placed at approx. 9300' and cemented with one stage up to dv tool. After completion procedures, the 4 1/2" casing will be cut and pulled at 9300'.
Cemented w/500sx PVL (YLD 1.83 Wt 13) TOC= 9300'

Co: 0	Units: Feet, °, 7100ft	VS Az: 180.00	Tgt TVD: 9850.00
Drillers: 0	Elevation:	Tgt Radius: 0.00	Tgt MD: 0.00
Well Name: Quijote BQJ State Com #1H	Northing:	Tgt N/S: -4540.00	Tgt Displ.: 0.00
Location: 0	Easting:	Tgt E/W: 0.00	Method: Minimum Curvature

No.	MD	CL	Inc.	Azi.	TVD	VS	+N/S-	+E/W-	BR	WR	DLS	Comments
0	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00				
1	720.00	720.00	0.00	0.00	720.00	0.00	0.00	0.00	0.00	0.00	0.00	Rustler
2	2900.00	2180.00	0.00	0.00	2900.00	0.00	0.00	0.00	0.00	0.00	0.00	Castille
3	4220.00	1320.00	0.00	0.00	4220.00	0.00	0.00	0.00	0.00	0.00	0.00	BOS
4	4650.00	430.00	0.00	0.00	4650.00	0.00	0.00	0.00	0.00	0.00	0.00	Bell Canyon
5	5300.00	650.00	0.00	0.00	5300.00	0.00	0.00	0.00	0.00	0.00	0.00	Cherry Canyon
6	7480.00	2180.00	0.00	0.00	7480.00	-0.01	0.01	0.00	0.00	0.00	0.00	Brushy Canyon
7	8975.00	1495.00	0.00	0.00	8975.00	-0.01	0.01	0.00	0.00	0.00	0.00	Bone Spring
8	9020.00	45.00	0.00	0.00	9020.00	-0.01	0.01	0.00	0.00	0.00	0.00	Avalon Shale
9	9372.54	9372.54	0.00	180.00	9372.54	-0.01	0.01	0.00	0.00	1.92	0.00	KOP
10	9400.00	27.46	3.30	180.00	9399.98	0.78	-0.78	0.00	12.00	0.00	12.00	
11	9500.00	100.00	15.30	180.00	9498.49	16.90	-16.90	0.00	12.00	0.00	12.00	
12	9600.00	100.00	27.30	180.00	9591.49	53.16	-53.16	0.00	12.00	0.00	12.00	
13	9700.00	100.00	39.30	180.00	9674.93	107.95	-107.95	0.00	12.00	0.00	12.00	
14	9800.00	100.00	51.30	180.00	9745.14	178.90	-178.90	0.00	12.00	0.00	12.00	
15	9900.00	100.00	63.30	180.00	9799.07	262.89	-262.89	0.00	12.00	0.00	12.00	
16	10000.00	100.00	75.30	180.00	9834.36	356.26	-356.26	0.00	12.00	0.00	12.00	
17	10100.00	100.00	87.30	180.00	9849.47	454.93	-454.93	0.00	12.00	0.00	12.00	
18	10122.53	750.00	90.00	180.00	9850.00	477.46	-477.46	0.00	12.00	0.00	12.00	Avalon Target
19	14185.07	4062.54	90.00	180.00	9850.01	4539.99	-4539.99	0.00	0.00	0.00	0.00	Lateral TD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2900: Castille
4220: BOS
4650: Bell Canyon
5300: Cherry Canyon
7480: Brushy Canyon
8875: Bone Spring
9020: Avalon U Tale
9372.54: KOP
9850: Avalon Target
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