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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
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: [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: BURLESON PETROLEUM, INC. OGRID #: 013300

Address: P.O. BOX 2479 MIDLAND, TEXAS 79702

Facility or well name: PRAIRIE CHICKEN FEDERAL WELL #2

API Number: 30-025-40070 OCD Permit Number: P1-02975

U/L or Qtr/Qtr C Section 19 Township 20S Range 39E County: LEA

Center of Proposed Design: Latitude _____ Longitude _____ NAD: [ ] 1927 [ ] 1983

Surface Owner: [X] Federal [ ] State [ ] 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

[X] 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 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: SUNDANCE DISPOSAL Disposal Facility Permit Number: NM-01-0003

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): STEVEN L. BURLESON Title: PRESIDENT

Signature: _____ Date: 03/03/2011

e-mail address: geottech@prodigy.net Telephone: (432)683-4747

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

OCD Representative Signature: [signature] **Approval Date:** 03/03/11

Title: Geologist **OCD Permit Number:** P1-02975

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: _____

LOCATION MANAGEMENT PROCEDURES FOR CLOSED LOOP DEWATERING SYSTEMS

Objective: Services to provide complete location management for all the major waste streams generated while drilling in remote and sensitive environments. If properly used, solids control equipment can greatly reduce waste liquid mud through a "closed loop mud system".

Working Pit Volumes: Pit volumes should be maintained as low as possible at all times.

- Allows for addition of waste water to active system.
- Solids removal equipment has greater impact on mud system.
- Reduces waste volumes.
- Reduces mud costs.

Linear Motion Shale Shakers: The first line of defense for a properly maintained drilling fluid has been, and will continue to be, the shale shaker. Without proper screening of the drilling fluid during this initial removal step, reduced efficiency and effectiveness of all downstream solids control equipment on the rig is virtually assured.

- Use the finest mesh screen capable of handling the full volume from the flow line under the particular drilling conditions without flooding the shaker bed.
- Except in extenuating circumstances all mud should be screened (do not by pass the shaker bed). This includes make-up mud hauled in from other locations and waste water.

Chemically Enhanced Centrifuge System: The chemical treatment of drilling fluid closes the loop on particle sizes that can be mechanically removed. The result can be improved mud control economics and much greater reduction in drilling waste volumes. Chemical enhancement of a centrifuge can provide:

- reduction of liquid mud waste;
- very high solids removal efficiency;
- reclamation of water for recycling on location;
- greatly reduced mud and disposal cost and;
- better control of mud properties.

DAILY OPERATION PROCEDURES

1. Report to Company Representative when arriving and departing from location for special instructions and head count.

2. Recap daily activities with relief closed loop operator.

3. Ensure all solids removal equipment is operating properly.
   Equipment must operate 24 hours daily.

4. Check shaker screens for holes, if holes are found, report information to Company Man.

5. Ensure no safety violations exist in your work area.

6. Review daily mud check sheet to obtain recommended mud weights.

7. Verify all sump holes and steel pits have had liquid returned to active pits.

8. Complete load log sheet daily.

9. Operate dewatering system 24 hours daily until mud up point in well.

10. Operate dewatering system to process 50 barrels of mud daily after mud up point, transfer cleaned fluid to frac tank for storage. Do not pump mud or gray water to frac tank. Process approximately 1 hour.

11. Return gray water to the active system over the shaker to maintain pit volume. Check with Company Man to determine at what GPM to return gray water to active mud system.

12. Do not run fresh water in mud when gray water is available.

13. Make sure all fluid is pumped from solids tanks prior to loading trucks. Solids being trucked for disposal must be as dry as possible at all times.

14. Survey rig location for mud and water leaks, (pumps, hoses, fittings, rig pits and etc.) Report all leaks to the Company Man.

15. At TD of well, casing is started in hole, begin dewatering process of mud in active system to frac tank. Continue this process until all mud is processed from pits.

16. Cement transferred to the solids pit at surface, will have sugar added and disposed of as a solid, liquid will be processed and returned to active system.

17. Water for pit cleaning should be processed fluid from the frac tanks.

18. Solids and fluid from pit cleaning should be placed in solids pits for processing and disposal.

19. At no time transfer whole mud to the frac tanks. If for any reason mud is transferred to a frac tank or a vacuum truck is used to remove mud from location, you must notify Wayne Jarvis 432-557-5559 or 432-683-4747. He will then notify the appreciate Company Representative. Failure to report this information will result in the operator on tour being terminated.

Closure Plan

The lined sump under the roll of bins will be closed as required for a temporary pit under Subsection C of 19.15.17.9 NAMC and 19.15.17.13 NAMC. With any contaminated soil being hauled to Sundance Disposal NM-01-0003.