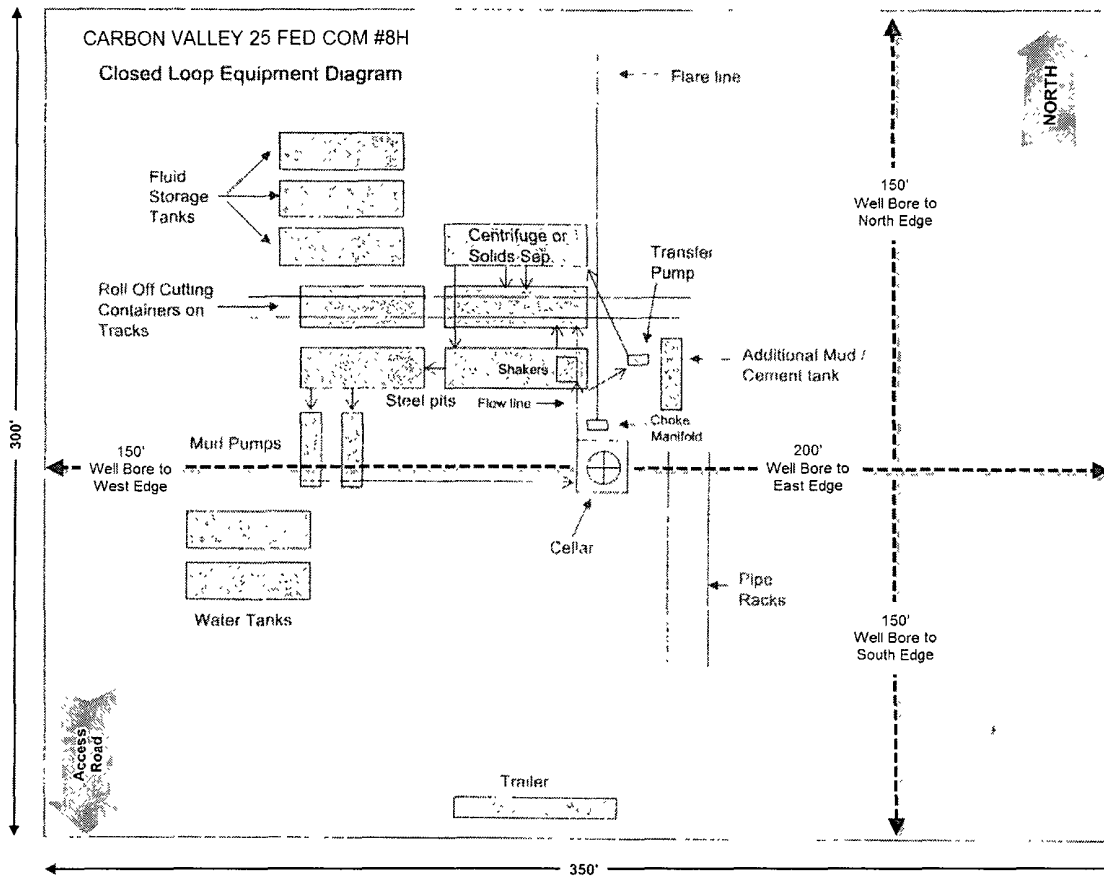


EXHIBIT H  
CLOSED LOOP SYSTEM



**Murchison Oil & Gas, Inc.**  
**Carbon Valley 25 Federal Com 8H**  
1780' FSL & 300' FEL  
Sec. 25, T16S, R27E  
Eddy County, NM

**CLOSED-LOOP OPERATING AND MAINTENANCE PLAN**

- All drilling fluid circulated over shaker(s) with cuttings discharged into roll-off container.
- Fluid and fines below shaker(s) are circulated with transfer pump through centrifuge(s) or solids separator with cuttings and fines discharged into roll-off container.
- Fluid is continuously re-circulated through equipment with polymer added to aid separation of cutting fines.
- Roll-off containers are lined and de-watered with fluids re-circulated into system.
- Additional tank is used to capture unused drilling fluid or cement returns from casing jobs.
- This equipment will be maintained 24 hours/day by solids control personnel and/or rig crews that stay on location.
- Cuttings will be hauled to one of the following depending upon which rig is available to drill this well:
  - CRI    Permit Number R9166 / NM-01-0006
  - GMI    Permit Number 711-019-001 / NM-01-0019



Certified Article Number

7196 9008 9040 0542 4680

SENDERS RECORD

VIA CERTIFIED MAIL

October 21, 2011

State of New Mexico  
Oil Conservation Division – District II  
811 S. First St.  
Artesia, NM 88210-2834

**RE: FORM C-144 CLEZ  
CARBON VALLEY 25 FEDERAL COM 8H  
EDDY COUNTY, NM**

To Whom It May Concern:

Enclosed please find the following:

1. Form C-144 CLEZ – Closed Loop System Permit
2. Closed Loop Equipment Diagram
3. Closed Loop Operating and Maintenance Plan
4. Form C-102

If you have any questions or need additional information, please contact me at [ccottrell@jdmii.com](mailto:ccottrell@jdmii.com) or 972-931-0700 ext. 109.

Best Regards,

**MURCHISON OIL & GAS, INC.**

Cindy Cottrell  
Regulatory Coordinator

Enclosures

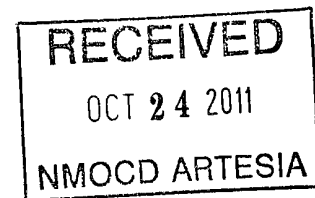
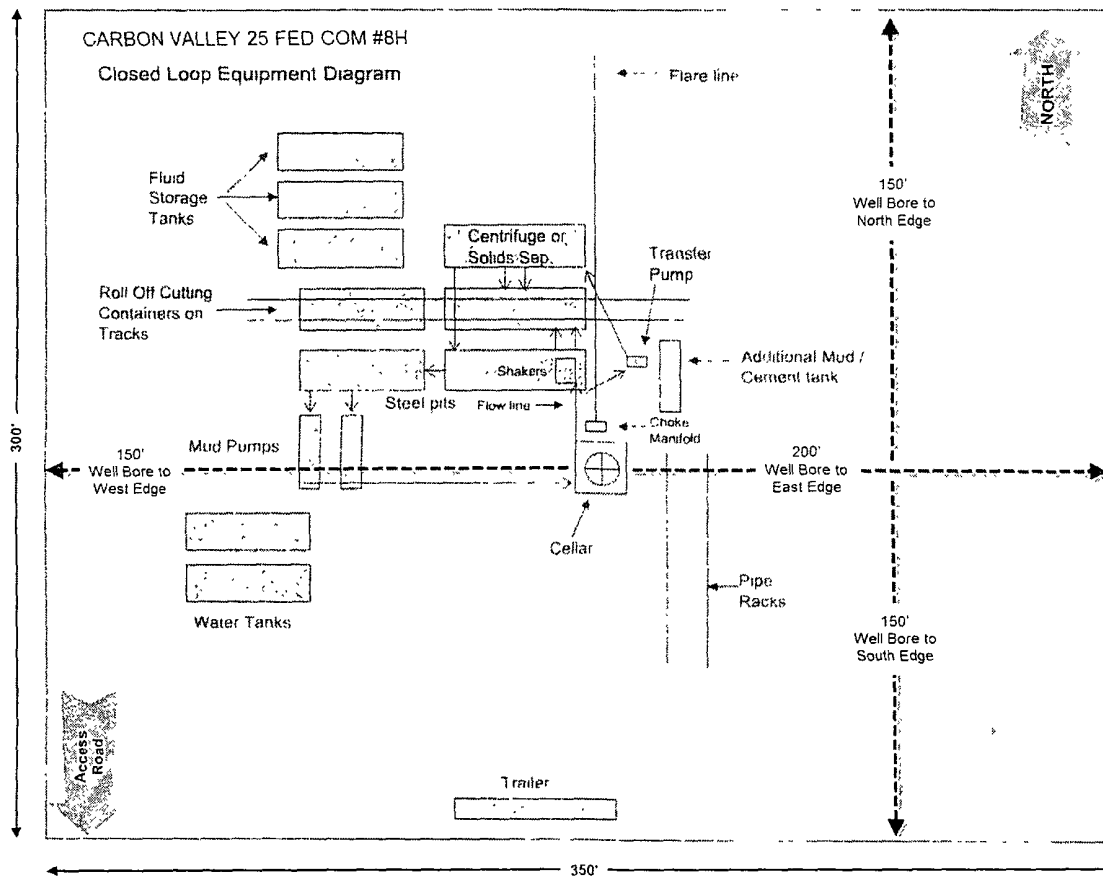


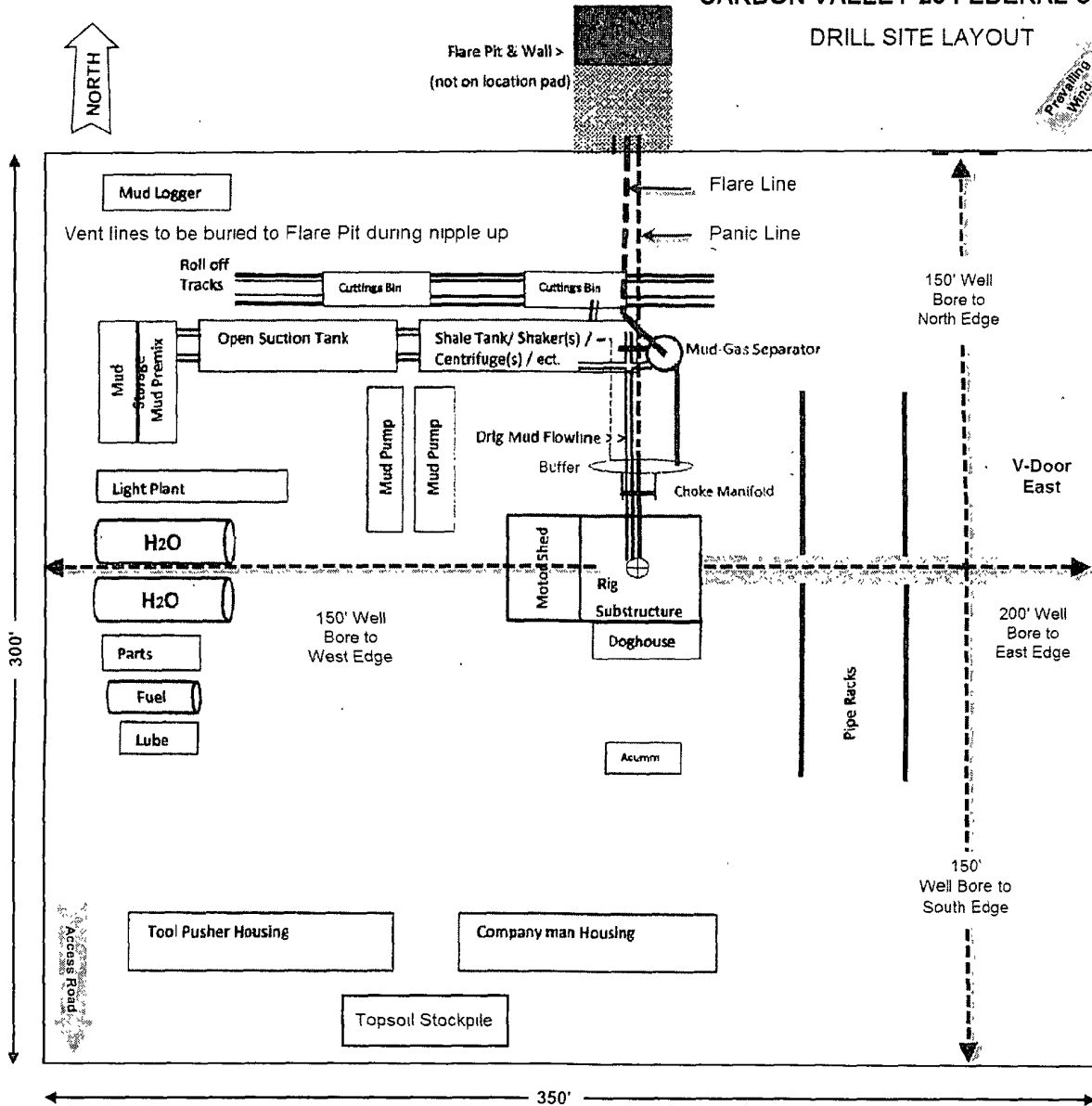
EXHIBIT H  
CLOSED LOOP SYSTEM



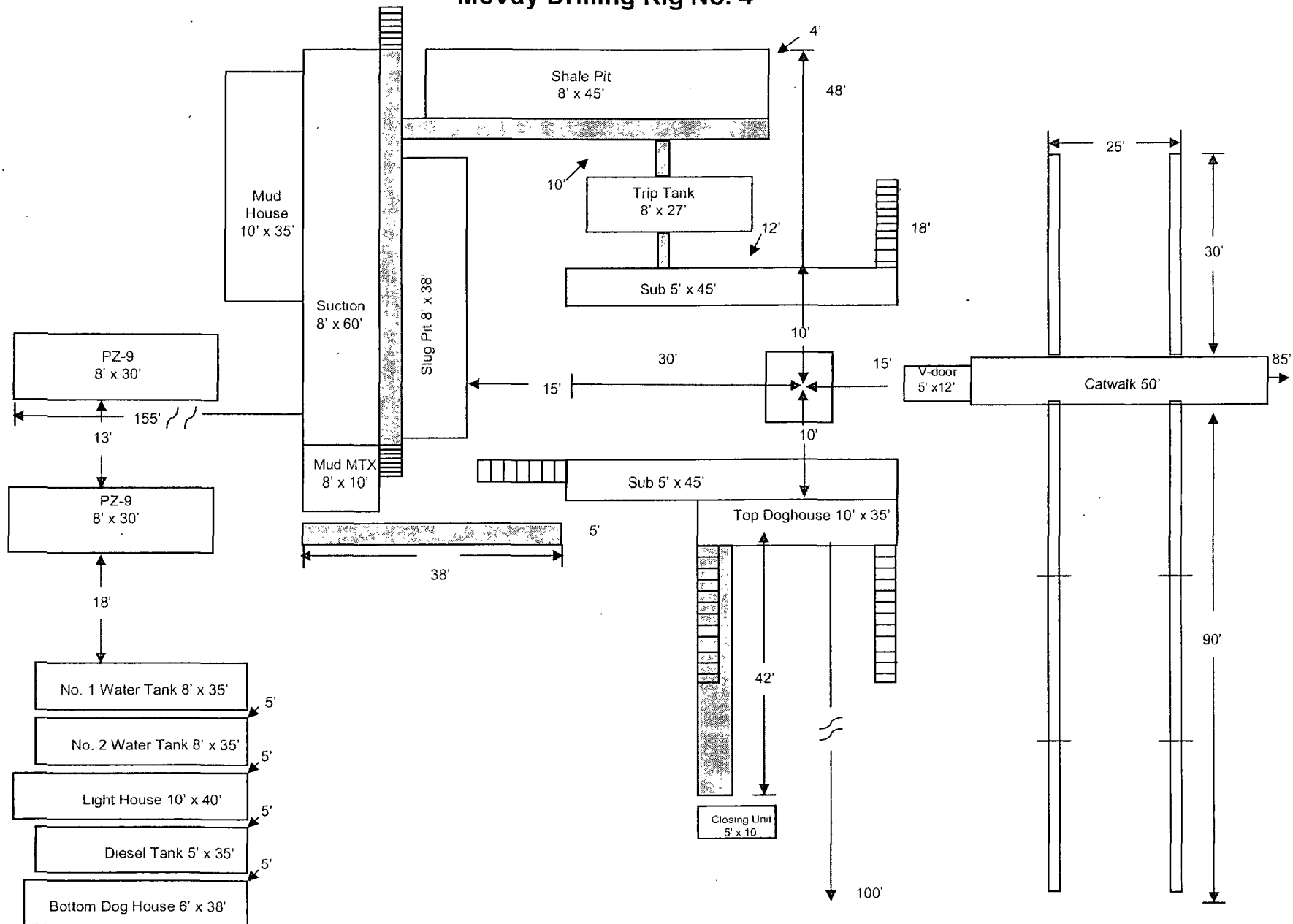
# EXHIBIT E - 1

## CARBON VALLEY 25 FEDERAL COM #8H

### DRILL SITE LAYOUT



# McVay Drilling Rig No. 4

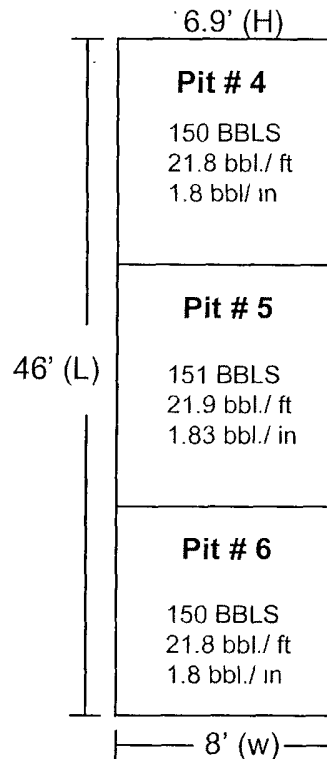


# McVay Drilling Co.

## Rig # 4 – Pit System

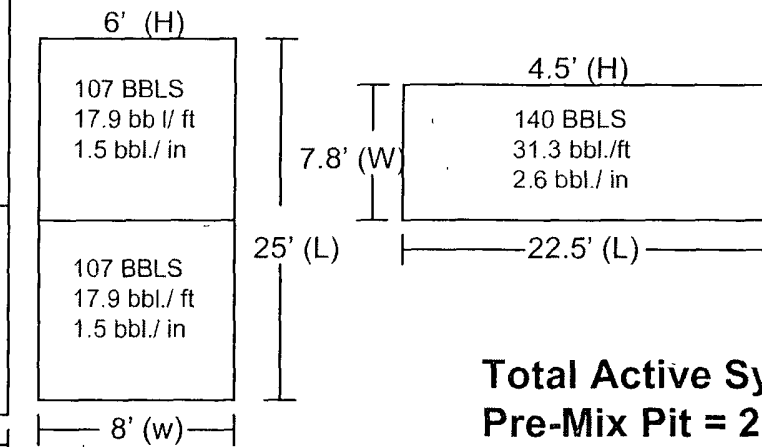
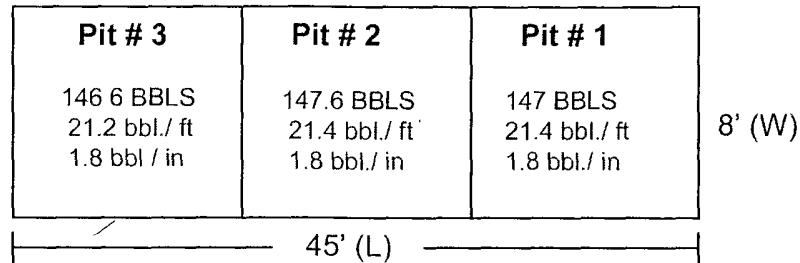
### Suction Pit

Total Volume = 453 BBLS



### Shale Pit

Total Volume = 442 BBLS



### Trip Tank

Total Volume = 140 BBLS

**Total Active System Volume = 895 BBLS**

**Pre-Mix Pit = 216 BBLS**

**Trip Tank = 140 BBLS**

**2 Triplex PZ-9 Pumps**

### Pre Mix Pit

Total Volume = 216 BBLS