

MAY 09 2011

District I
1625 N. French Dr., Hobbs, NM 88201
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 NMOC District Office.

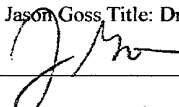
Closed-Loop System Permit or Closure Plan Application

(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.	<p>Operator: Nadel and Gussman Permian, LLC OGRID # 155615</p> <p>Address: 601 N. Marienfeld Suite 508, Midland, TX 79701</p> <p>Facility or well name: South Tobac State Unit #1</p> <p>API Number: <u>30-005-29179</u> OCD Permit Number: <u>P1-03204</u></p> <p>U/L or Qtr/Qtr D Section 29 Township 8S Range 33E County: CHAVES</p> <p>Center of Proposed Design: Latitude 33° 35' 45.44" N Longitude 103° 35' 41.64.20" W NAD: <input type="checkbox"/> 1927 <input checked="" type="checkbox"/> 1983</p> <p>Surface Owner: <input type="checkbox"/> Federal <input checked="" type="checkbox"/> State <input type="checkbox"/> Private <input type="checkbox"/> Tribal Trust or Indian Allotment</p>
2.	<p><input checked="" type="checkbox"/> Closed-loop System: Subsection H of 19.15.17.11 NMAC</p> <p>Operation: <input checked="" type="checkbox"/> Drilling a new well <input type="checkbox"/> Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent) <input type="checkbox"/> P&A</p> <p><input type="checkbox"/> Above Ground Steel Tanks or <input checked="" type="checkbox"/> Haul-off Bins</p>
3.	<p>Signs: Subsection C of 19.15.17.11 NMAC</p> <p><input type="checkbox"/> 12"x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers</p> <p><input checked="" type="checkbox"/> Signed in compliance with 19.15.3.103 NMAC</p>
4.	<p>Closed-loop Systems Permit Application Attachment Checklist: Subsection B of 19.15.17.9 NMAC</p> <p>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.</p> <p><input checked="" type="checkbox"/> Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC</p> <p><input checked="" type="checkbox"/> Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC</p> <p><input checked="" type="checkbox"/> 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</p> <p><input type="checkbox"/> Previously Approved Design (attach copy of design) API Number: _____</p> <p><input type="checkbox"/> Previously Approved Operating and Maintenance Plan API Number: _____</p>
5.	<p>Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only: (19.15.17.13.D NMAC)</p> <p>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.</p> <p>Disposal Facility Name: <u>CRI</u> Disposal Facility Permit Number: <u>NM-01-0019</u></p> <p>Disposal Facility Name: <u>GM</u> Disposal Facility Permit Number: <u>NM-01-0006</u></p> <p>Will any of the proposed closed-loop system operations and associated activities occur on or in areas that <i>will not</i> be used for future service and operations?</p> <p><input type="checkbox"/> Yes (If yes, please provide the information below) <input checked="" type="checkbox"/> No</p> <p>Required for impacted areas which will not be used for future service and operations:</p> <p><input type="checkbox"/> Soil Backfill and Cover Design Specifications - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC</p> <p><input type="checkbox"/> Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC</p> <p><input type="checkbox"/> Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC</p>
6.	<p>Operator Application Certification:</p> <p>I hereby certify that the information submitted with this application is true, accurate and complete to the best of my knowledge and belief.</p> <p>Name (Print): <u>Jason Goss</u>, Title: <u>Drilling Engineer</u></p> <p>Signature: <u></u> Date: <u>5/5/2011</u></p> <p>e-mail address: <u>jgoss@naguss.com</u> Telephone: <u>(432) 682-4429</u></p>

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

OCD Representative Signature: _____ Approval Date: 05/06/11

Title: PETROLEUM ENGINEER OCD Permit Number: PI-03204

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.

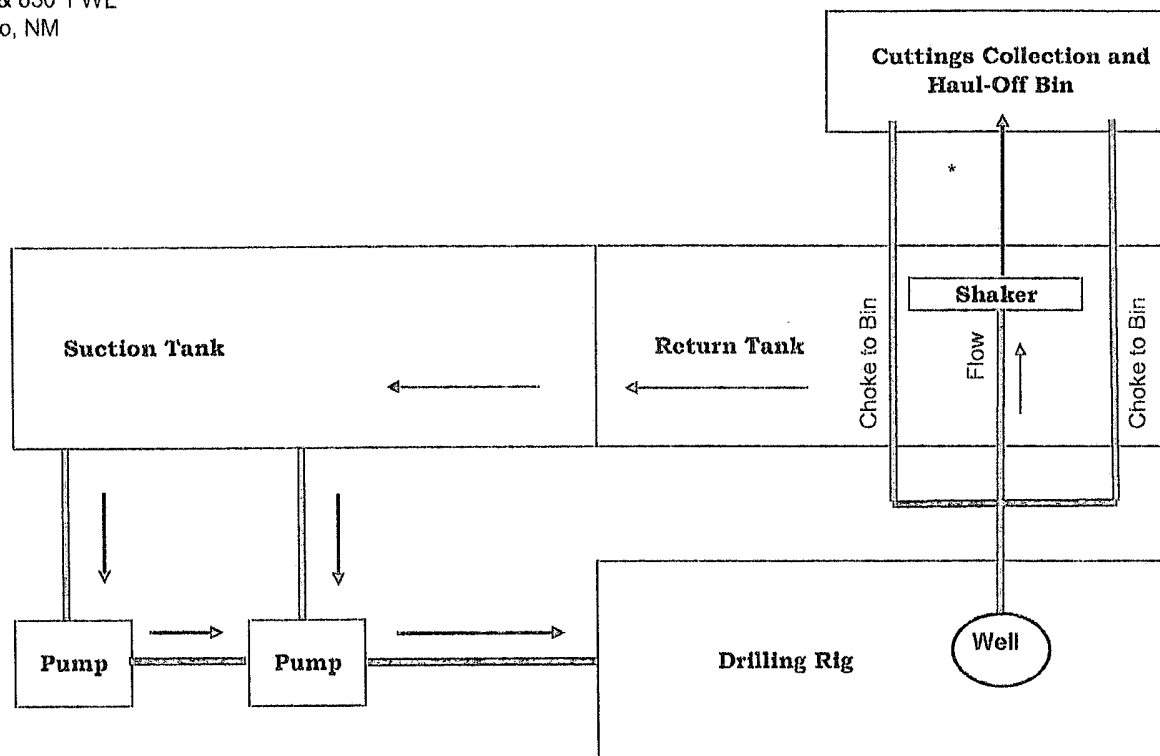
Name (Print): _____ Title: _____

Signature: _____ Date: _____

e-mail address: _____ Telephone: _____

Choke Manifold Schematic for Closed Loop System

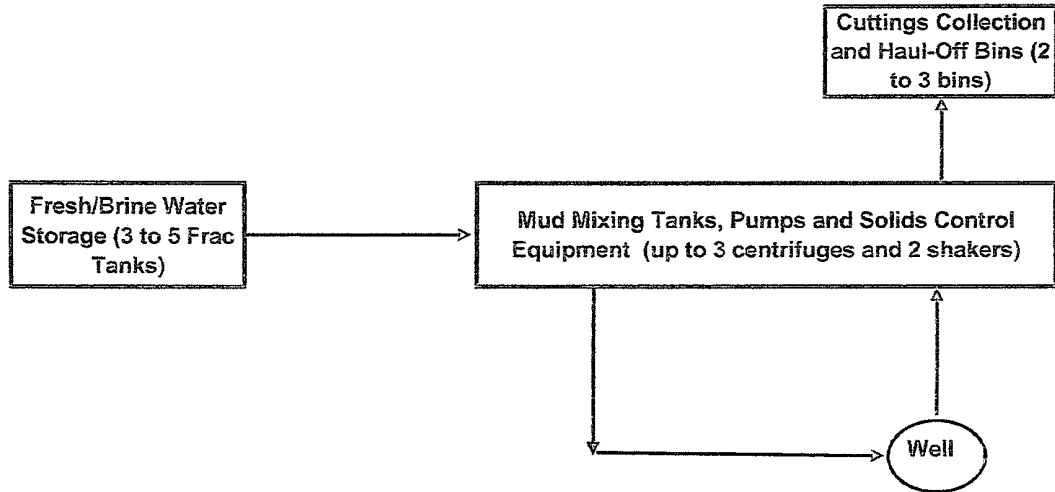
South Tobac State Unit #1
Unit D, Sec 29, T8S, R33E
850' FNL & 830' FWL
Chaves Co, NM



* No pipe manifold from shaker to haul-off bin.

CLOSED-LOOP SYSTEM

Design Plan:



Operating and Maintenance Plan:

During drilling operations, third party service companies will utilize solids control equipment to remove cuttings from the drilling fluid and collect it in haul-off bins. Equipment will be closely monitored at all times while drilling by the derrick man and the service company employees.

Closure Plan:

During drilling operations, third party service companies will haul-off drill solids and fluids to the nearest approved disposal facility as noted on the C-144 form. At the end of the well, all closed loop equipment will be removed from the location.