

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

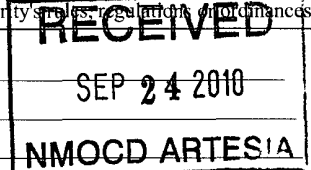
(that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure)

Type of action: ☒ 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: Sandridge Exploration and Production LLC OGRID #: 270265
Address: 2130 W. Bender Hobbs, NM 88240
Facility or well name: Skelly Unit #263
API Number: 30-015-29184 OCD Permit Number: 210804
U/L or Qtr/Qtr D Section 27 Township 17S Range 31E County: Eddy
Center of Proposed Design: Latitude 32.81261 Longitude -103.86139 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 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 Inc Disposal Facility Permit Number: NM-01-0019
Disposal Facility Name: CRI Disposal Facility Permit Number: NM-01-0006
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): Colleen Robinson Title: Regulatory Analyst
Signature: [Signature] Date: 9-22-2010
e-mail address: crobinson@sdrge.com Telephone: 575-738-1739 ext. 117

7. **OCD Approval:** ☒ Permit Application (including closure plan) ☐ Closure Plan (only)
OCD Representative Signature: Kevin R Dade Approval Date: 09/27/2010
Title: Dist H Supervisor OCD Permit Number: 210804

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: _____

I Design Plan

Above ground steel tanks will be used for the management of all fluids

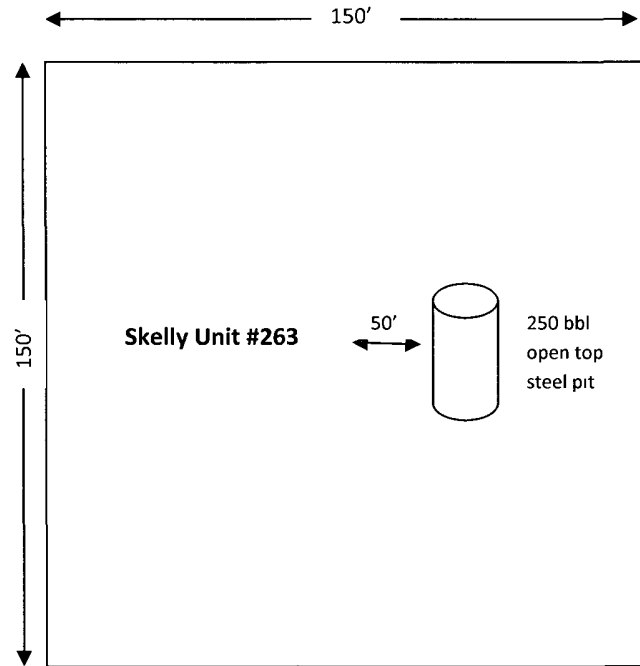
II Operations and Maintenance Plan

Arena Resources Inc will operate and maintain all of the above ground steel tanks in a prudent manner to prevent any spills. Should a leak develop, the appropriate NMOCD Division Office will be notified within 48 hours and the leak will be addressed immediately. During an upset the source of the leak will be isolated and addressed as soon as it is discovered. Free liquids will be removed and loose topsoil will be used to stabilize the spill. The contaminated soil will either be remediated in-situ or be excavated and taken to an approved facility.

III Closure Plan

All fluids will go to an above ground steel tank and will be hauled to an approved facility. Impacted areas which will not be used for future service or operations will be reclaimed as per approved methods.

Skelly Unit #263
API #30-015-29184



All distances approximate.
Not to scale

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

FORM APPROVED
OMB No 1004-0137
Expires July 31, 2010

SUNDRY NOTICES AND REPORTS ON WELLS
Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

5 Lease Serial No
NMLC029419B

6 If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE – Other instructions on page 2

1 Type of Well

☒ Oil Well ☐ Gas Well ☐ Other

2 Name of Operator
SANDRIDGE EXPL AND PROD. LLC

3a Address
2130 W BENDER
HOBBS, NM 88240

3b Phone No (include area code)
575-738-1739 EXT 117

7 If Unit of CA/Agreement, Name and/or No.
NMNM071030X

8 Well Name and No
SKELLY UNIT #263

9 API Well No
30-015-29184

4 Location of Well (Footage, Sec., T., R., M., or Survey Description)
UL D SEC 27 T17S R31E 15' FNL 1262' FWL

10 Field and Pool or Exploratory Area
GRAYBURG JACKSON; SR-Q-G-SA

11 Country or Parish, State
EDDY

12 CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other _____
	<input type="checkbox"/> Change Plans	<input checked="" type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13 Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

1. RIH open ended w/2 3/8" tbg. through tight spot @1860.
2. Spot 10 sx C cement from 3450-3350'. WOC & TAG
3. Spot 10 sx C cement from 2160-2060'. WOC & TAG
4. Spot 10 sx C cement from 1715-1615, across base of salt. WOC & TAG
5. Spot 10 sxs C cement from 735-635, across top of salt. WOC & TAG
6. Spot 10 sxs C cement from 498-398', across sfc csg shoe WOC & TAG
6. Set surface plug 50' to surface w/class C cement
6. Cut off wellhead and anchors, install dry hole marker, clean location.

14 I hereby certify that the foregoing is true and correct Name (Printed/Typed)

Colleen Robinson

Title Regulatory Analyst

Signature

Date 09/22/2010

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Title

Date

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Office

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

API No. : 30-015-29184
WI 100 00% NRI

Corp ID: 117618
86 66%

Location / Legal's 15' FNL & 1262' FWL
Survey D sec 27 twN 17S rng 31E
Lat 32 8126100
Long -103 8613900
County - State Eddy Co., New Mexico
Spud Date : 16-Oct-96
Completion Date : 07-Jan-97
Status : Producer - SI
Field : Maljamar - Grayburg/Jackson/7 Rivers

Casing										
Section	Size	Wt.	Grade	Top	Set @	Jts	Hole Size	TOC	Sxs Cmt	
Surface	8 5/8	23	ISW42	0	443	10	12 1/4	0	325	
Production	5 1/2"	17#	J-55	0	3,900	93	7 7/8"	Surf	1,300 *	

1050 sxs HLC+8 pps salt&1/4 pps cello FB 250 sxs "C"+3 pps KCl&1/4 pps cello (111 sxs)

14 0 K_B

3,833.0 K_B
D_F
3,819.0 G_L
WO Rig K_B

8-5/8" Surface Csg set
443 ft @

Formation	Top
Salt (salado)	550
Base Salt	1500
Seven Rvrs	2110
Grayburg	3205

9/04 Fnd Csg Collapsed 1860'
Could work thru w/ 2 pts w/ open
ended 2 7/8" tbg Did not swedge out

GB 3484-3612

SA 3646-3670

3,900 ft 5 1/2" Csg @

D Tally
8/19/2010

PBTD 3,861 ft.
TD 3,900 ft

Proposed P&A Conditions



Skelly Unit

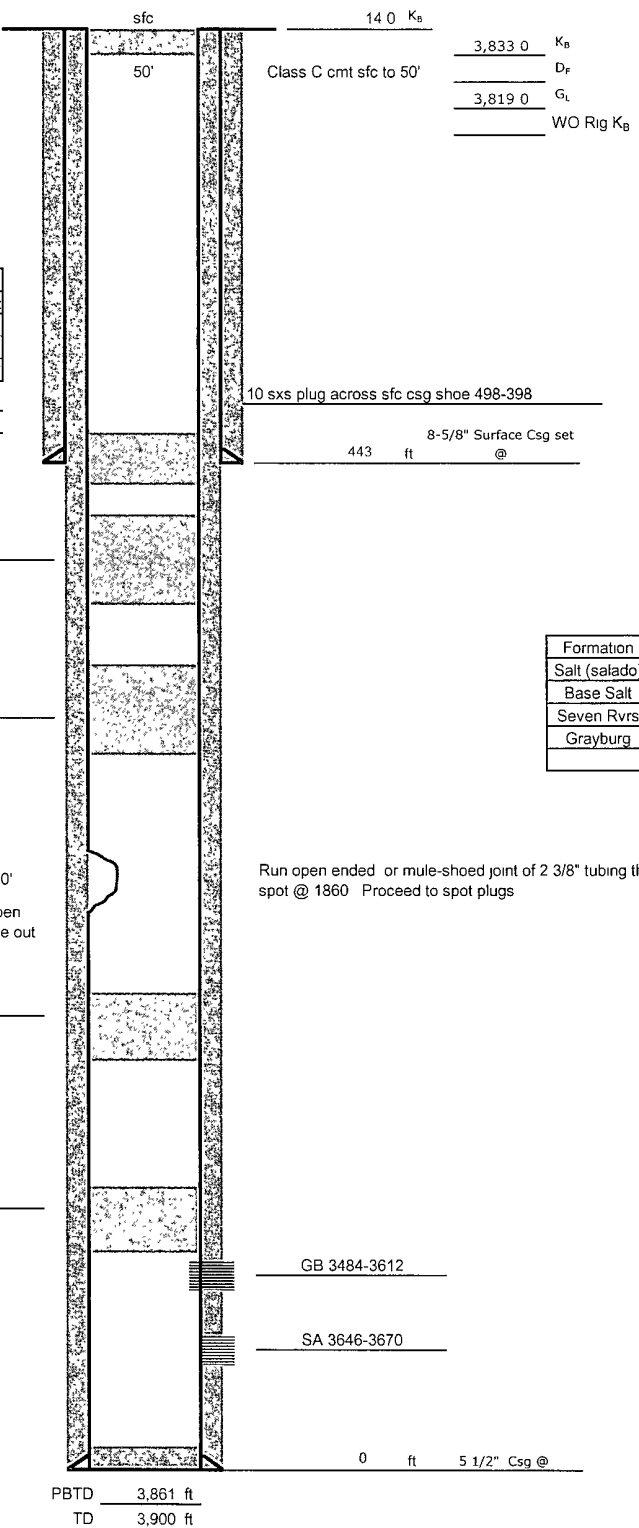
263

API No. : 30-015-29184 Corp ID: 117618
 WI 100.00% NRI 86.66% sfc 14.0 K_B

Location / Legal's : 15' FNL & 1262' FWL
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D Tally
 8/19/2010