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: Manzano, LLC OGRID #: 231429
Address: P.O. Box 2107, Roswell, NM 88202-2107
Facility or well name: Battle Axe Federal #1H
API Number: 30-025-40192 OCD Permit Number: P1-03497
U/L or Qtr/Qtr: G Section: ~~27~~ 34 Township: 26S Range: 32E County: Lea
Center of Proposed Design Latitude: N 364871.937 Longitude: E 749876.917 NAD: ☐ 1927 ☒ 1983
Surface Owner: ☒ Federal ☐ State ☐ Private ☐ Tribal Trust or Indian Allotment

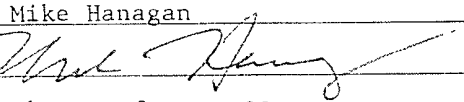
2.
☒ **Closed-loop System:** Subsection H of 19.15.17.11 NMAC
Operation: ☒ Drilling a new well ☐ Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent) ☐ P&A
☐ Above Ground Steel Tanks or ☒ Haul-off Bins

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 Normal Well Sign

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: CR1 Disposal Facility Permit Number: R 9166
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) ☒ 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): Mike Hanagan Title: Managing Member
Signature:  Date: 07/19/11
e-mail address: mhanagan@qwestoffice.net Telephone: 575-623-1996

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

OCD Representative Signature: _____ Approval Date: 07/24/11

Title: PETROLEUM ENGINEER OCD Permit Number: P1-03497

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: _____

STATE OF NEW MEXICO EMNRD - OCD

Closed-Loop Systems Permit Application Attachment - Battle Axe Federal #1H

Design Plan

A closed-loop system will be used while drilling the Battle Axe Federal #1H in order to separate and contain all oil, water, drilling fluid, and drill cuttings. Returns from drilling operations will travel up the wellbore annulus, through a flowline at the surface, and into the closed-loop system. As the returning drilling fluid exits the flowline it will pass over two shakers with screens sized to more effectively separate liquids from solids. Liquids will be discharged into temporary above ground steel mud pits for reuse in drilling procedures. Solids will be shaken off into steel haul-off cuttings bins. Two centrifuges placed above the haul-off bins will have suction lines placed under the shaker with liquid discharge in the steel mud pits. The fluid suctioned here will pass through the centrifuges, dropping out any remaining solids into the steel haul-off bins used by the shaker discharge. Once a steel haul-off bin is adequately filled, it will be replaced by an empty bin and hauled away for disposal. This system will keep all drilling fluids and drill cuttings completely contained while waiting for re-use or until ready for disposal.

Operating and Maintenance Plan

The closed-loop system will be operated during all drilling, circulating, and drilling fluid-conditioning operations. The system will be monitored twenty four hours a day for the duration of drilling operations, and will contain only fluids and solids used or generated during drilling operations. Monitoring will include inspection of temporary steel pits, flowlines, solids control equipment, haul-off bins, mud-pump suction lines, and transfer lines between pits. Inspections will focus on leak prevention, detection, and remediation if leaks are found. Equipment condition and effectiveness will be closely monitored to ensure that no failures are encountered that would result in any foreign solids or fluids coming into contact with the ground. Flowlines and transfer lines will be checked regularly to ensure that no plugging is taking place. Temporary steel pit levels will be monitored in order to keep at least two feet of freeboard as specified in subsection B of 19.15.17.12 NMAC in order to prevent overtopping. Haul-off bins containing solids will be monitored in order to prevent over filling or overflow of cuttings. All steel pits will be emptied and removed as soon as rig is released from location.

Closure Plan

The closed-loop system used on the Battle Axe Federal #1H will use only above ground steel tanks for drilling fluids, and haul-off bins for drill cuttings. As soon as drilling operations are completed, the above ground tanks will be emptied of all drilling fluids, which will be disposed of at CRI, facility permit number R 9166. The drill cuttings generated during drilling operations will be removed from the location in haul-off bins and disposed of at the same disposal facility as drilling fluid. The cuttings will be removed from location as needed throughout drilling procedures. Once drilling is completed, any remaining bins containing cuttings will be transported to disposal facility, emptied, and cleaned thoroughly.