

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 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. Operator: Petrohawk Operating Co. OGRID #: _____
Address: 1000 Louisiana St, Suite 5600 Houston, TX 77002
Facility or well name: State A A/C 2 #96
API Number: 30-025-39252 OCD Permit Number: P1-00675
U/L or Qtr/Qtr I Section 5 Township 22S Range 36E County: LEA
Center of Proposed Design: Latitude 32.420662N Longitude 103.282653W 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: _____

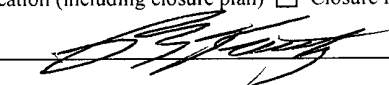
5. **Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only:** (19.15.17.13.D NMAC)
Instructions: Please identify the facility or facilities for the disposal of liquids, drilling fluids and drill cuttings. Use attachment if more than two facilities are required.
Disposal Facility Name: Sundance 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) ☐ 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): Ernie P Fontenot Title: Drilling Consultant
Signature:  Date: 8/20/2008
e-mail address: efontenot@petrohawk.com Telephone: 832-369-2198

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

OCD Representative Signature:  Approval Date: 11/14/08

Title: **Geologist** OCD Permit Number: PI-00675

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: _____

CLOSED LOOP DESIGN PLAN

PETROHAWK OPERATING

LEA CO., NM

EQUIPMENT

2-250 bbl tanks for holding fluids
2-solids bins with track system
3-500 bbl tanks for fresh water
3-500 bbl tanks for brine water

OPERATION AND MAINTENANCE

System will be maintained 24 hours by solids control personnel that will stay on location.
Any and all leaks will be repaired and/or contained immediately.
OCD will be notified within 48 hours of remediation process started.
Will adhere to Rule 116.

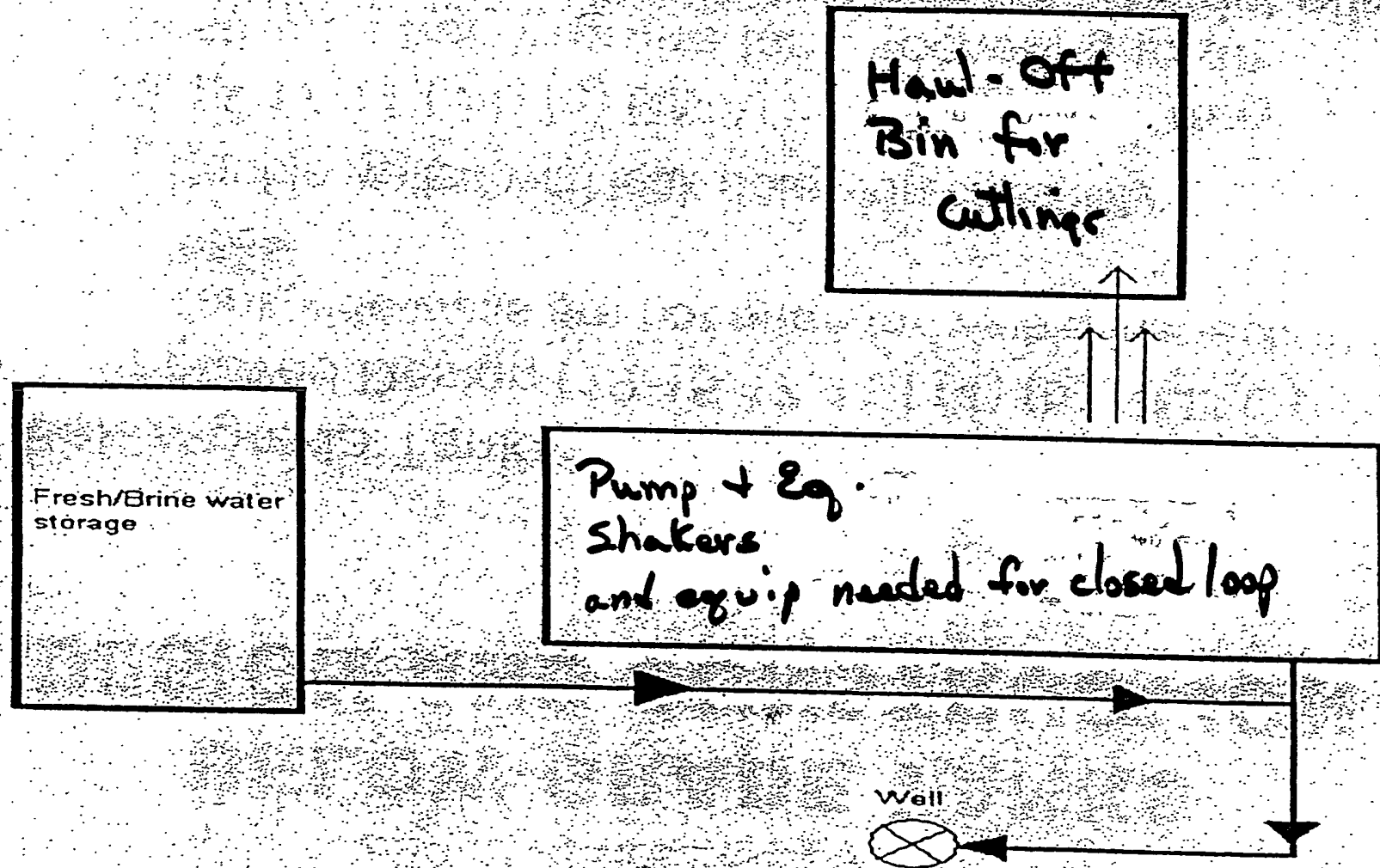
CLOSURE PLAN

During drilling operations, all cutting, drill solids, drill fluids and all liquids will be hauled off by Closed Loop Specialties to Sundance, Permit #NM 01-003.

GROUNDWATER

Per OCD information and State Engineer data, the groundwater occurs at a depth of 80' to 85'.

CLOSED-LOOP SYSTEM DESIGN AND CONSTRUCTION



COPY
OF
NSL APPLICATION
SUBMITTED

PETROHAWK OPERATING CO
STATE A A/C 2 # 96

Petrohawk respectfully requests administrative approval of an unorthodox oil well location for the following well:

State A A/C 2 # 96

2650 FNL 1310 FEL, NE/4 SE/4 of
Section 5, T22S, R36E, Unit Letter I
Lea County, New Mexico

The proposed well will be an infill producer in the Eunice;Seven Rivers-Queen, South oil pool {Pool Code: 24130}, which is an oil pool spaced on 40 acres. Order number R-3200, dated March 14, 1967, found the wells in the project area were in an advanced state of depletion and should be classified as "stripper" wells and authorized the institution of the State Waterflood Project in the South Eunice Pool in Sections 5,8 and 9 of T22S, R36E. In 1983, NSL-1729-O approved the drilling of 6 non-standard location infill oil wells in Sections 8 and 9 of T22S, R36E. Since the late 1980's, 46 of the 56 wells on the State A A/C 2 lease have either been plugged back to the Jalmat Pool or have been plugged and abandoned. Of the 10 wells remaining in the South Eunice Pool only 2 oil wells remain active in Section 8 T22S, R 36E and 8 wells are TA'd.

Supporting Data

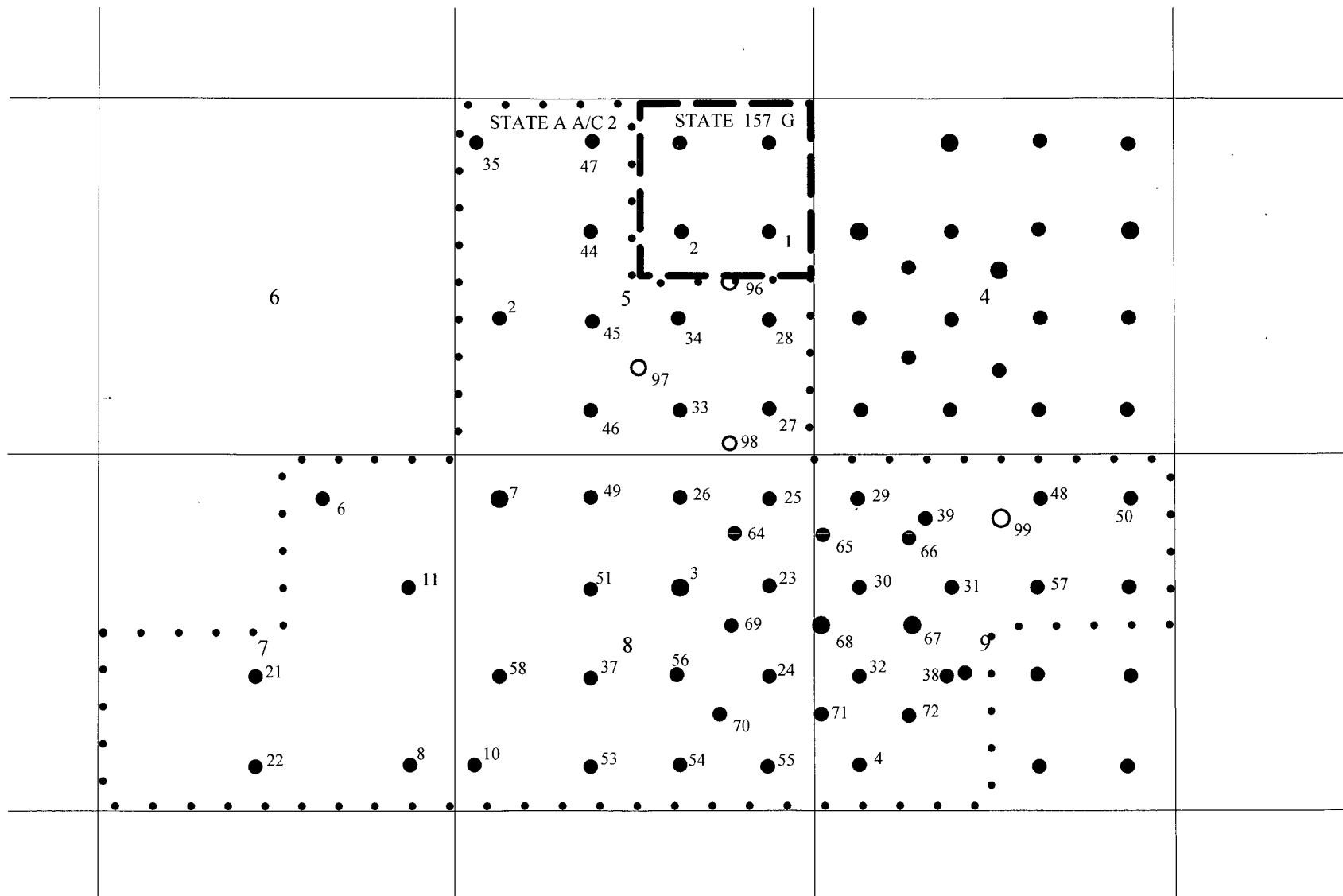
1. Petrohawk Operating Company (Petrohawk) is the operator of the proposed State A A/C 2 # 96. The proposed total depth is 4000' in the lower Queen formation.
2. The completion will be in the Eunice;Seven Rivers-Queen, South oil pool and the proposed location will not encroach on any wells. The following adjacent Petrohawk wells in the South Eunice pool, State A A/C 2 # 28 and 34, and State 157 G # 1 and 2 have been plugged back to the Jalmat Gas Pool.
3. The cumulative production in the adjacent wells indicates a tight reservoir that where the wells are not usually capable of draining a 40 acre proration unit.

State A A/C 2 # 28 I-5-T22S-R36E	Cum Oil	322654 Bls
State A A/C 2 # 34 J-5-T22S-R36E	Cum Oil	169781 Bls
State 157 G # 1 H-5-T22S-R36E	Cum Oil	80522 Bls
State 157 G # 2 G-5-T22S-R36E	Cum Oil	146433 Bls

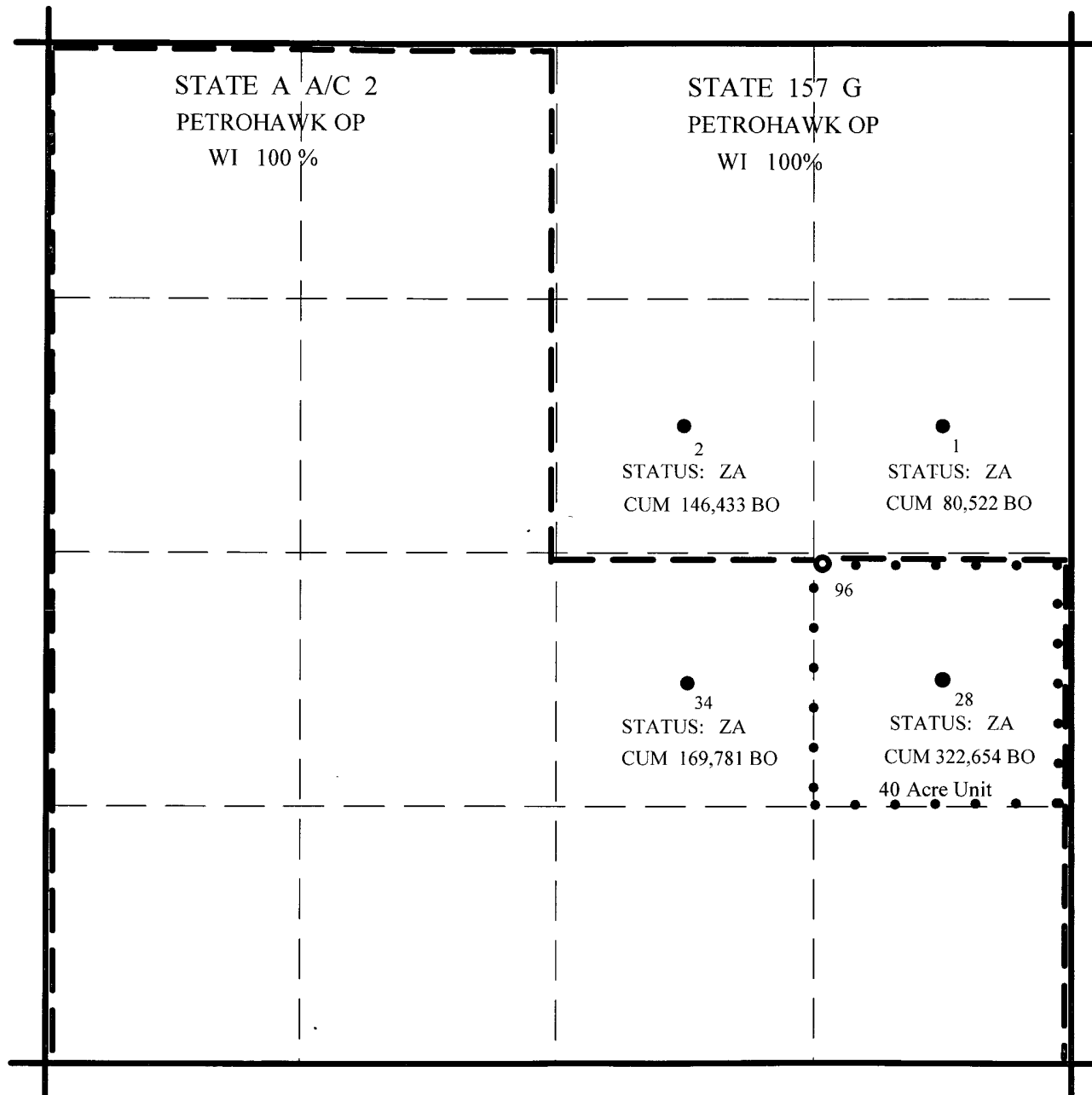
4. The Section 5 is covered by a two state lease which has common royalty and working interest ownership. The NE/4 of Section 5 is covered by the State 157 G lease. The NW/4 and S/2 of Section 5 is covered by the State A A/C 2

lease. Petrohawk is the operator and 100% working interest of wells on the State A A/C 2 lease and the State 157 G lease.

5. Approval of this application will allow for the recovery of oil and gas reserves which would not otherwise be recovered.



PETROHAWK OPERATING
STATE A A/C 2 AND STATE 157 G LEASE
T 22 S R 36 E
EUNICE;SEVEN RIVERS-QUEEN, SOUTH



Sec 5 T 22 S R 36 E
PETROHAWK OPERATING COMPANY
EUNICE;SEVEN RIVERS-QUEEN, SOUTH OIL POOL

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1000 Rio Brazos Rd., Aztec, NM 87410

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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, New Mexico 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State LEase - 4 Copies
Fee LEase - 3 Copies

WELL LOCATION AND ACREAGE DEDICATION PLAT

☐ AMENDED REPORT

API Number	Pool Code 24130	Pool Name EUNICE; SEVEN RIVERS - QUEEN, SOUTH
Property Code 302433	Property Name STATE A A/C 2	Well Number 96
GRID No. 194849	Operator Name PETROHAWK OPERATING	Elevation 3599'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
1	5	22-S	36-E		2650	NORTH	1310	EAST	LEA

Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						

**NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED
OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION**

LOT 4	LOT 3	LOT 2	LOT 1
<p>GEODETIC COORDINATES NAD 27 NME. SURFACE LOCATION Y=518344.9 N X=824217.3 E LAT.=32.420662° N LONG.=103.282653° W</p>			
<p>2650'</p>			
<p>1310'</p>			
<p>OPERATOR CERTIFICATION</p> <p>I hereby certify that the information herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Eddie W. Seay</i> 9/9/08 Signature Date <i>Eddie W. Seay</i> Printed Name</p>			
<p>SURVEYOR CERTIFICATION</p> <p>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</p> <p>RONALD J. EIDSON JUNE 30, 2008 Date Surveyed Signature & Seal of Professional Surveyor <i>Ronald J. Eidson</i> 9/7/08/08 08-11-1039 DSS</p> <p>Certificate No. GARY G. EIDSON 12841 RONALD J. EIDSON 3239</p>			