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

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HOBBSOCD

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: NADEL AND GUSSMAN PERMIAN, LLC OGRID #: 155615
Address: 601 N. MARIENFELD, STE 508 MIDLAND, TX 79701
Facility or well name: MOHAWK STATE #1
API Number: 30-005 -29108 OCD Permit Number: P1-01406
U/L or Qtr/Qtr P Section 20 Township 8S Range 33E County: Chaves
Center of Proposed Design: Latitude N33°60'01.20" Longitude E103°58'15.73" 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 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: CRI Disposal Facility Permit Number: NM-01-~~0019~~ 0006
Disposal Facility Name: GM Disposal Facility Permit Number: NM-01-~~0006~~ 0019
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): MICHELLE SENA Title: REGULATORY ANALYST
Signature: Michelle Sena Date: 10/1/2009
e-mail address: msena@naguss.com Telephone: 432-682-4429

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

OCD Representative Signature: _____ **Approval Date:** 10/15/09

Title: Geologist **OCD Permit Number:** P1-01406

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.

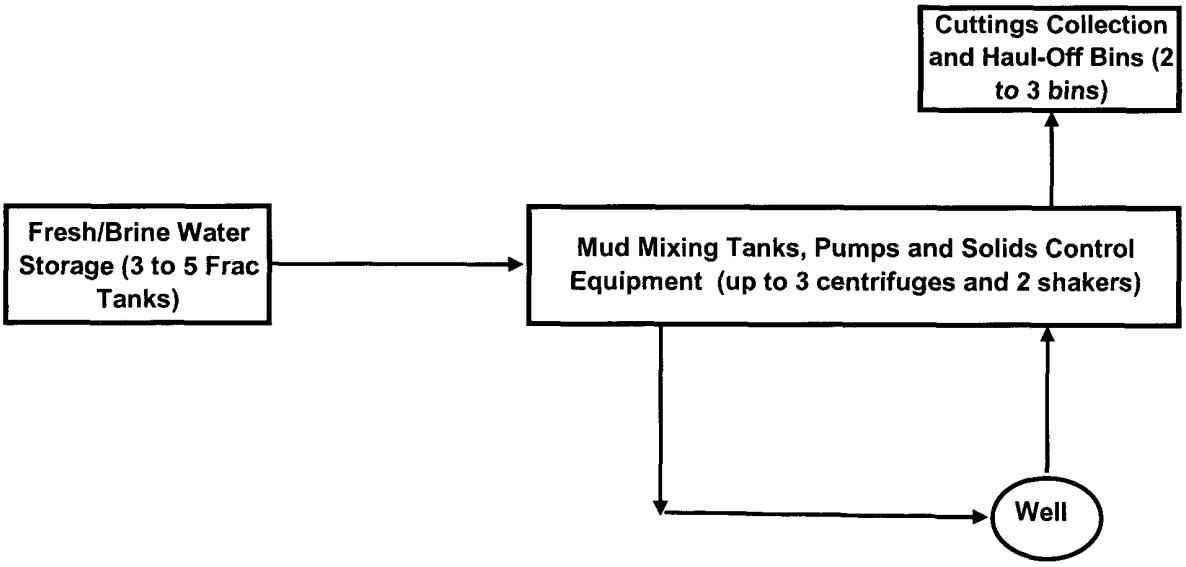
Name (Print): Michelle Sena Title: Regulatory Analyst

Signature: Michelle Sena Date: 10/01/09

e-mail address: msena@nagluss.com Telephone: 432-682-4429

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 an 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.

NADEL AND GUSSMAN PERMIAN, L.L.C.
601 N. Marienfeld, Suite 508
Midland, TX 79701
(432) 682-4429 (Office)
(432) 682-4325 (Fax)

October 5, 2009

Ms. Donna Mull
District 1 Staff Specialist
New Mexico Oil and Gas Division
1625 N. French Dr.
Hobbs, NM 88240

Re: Mohawk State #1
660' FSL & 660' FEL
Unit Letter P, Sec. 20-T8S-R33E
Chaves Co., NM
Rule 118 H2S Exposure

Dear Ms. Mull,

Nadel and Gussman Permian have evaluated this well and we do not expect to encounter hydrogen sulfide. However, we will employ a third party monitoring system. We will begin monitoring prior to drilling out intermediate and will continue monitoring the remainder of the well.

Please contact me if you have any additional questions.

Sincerely,

Michelle Sena

Michelle Sena
Regulatory Analyst

Hydrogen Sulfide Drilling Operations Plan

1. Company and Contract personnel admitted on location should be trained by a qualified H_2S safety instructor to the following:
   A. Characteristics of H_2S.
   B. Physical Effects and Hazards.
   C. Proper Use of Safety Equipment and Life Support Systems.
   D. Principle and Operation of H_2S Detectors, Warning System and Briefing.
   E. Evacuation Procedure, Routes and First Aid.
   F. Proper Use of 30 minute Pressure Demand Air Pack.

2. H_2S Detection and Alarm Systems
   A. H_2S Detectors and Audio Alarm System to be Located at Bell Nipple, End of Blooie Line (mud pit) and on Derrick floor or doghouse.

3. Windsock and/or Wind Streamers
   A. Windsock at Mud Pit Area Should be High Enough to be Visible.
   B. Windsock at Briefing Area Should be High Enough to be Visible.
   C. There Should be a Windsock at Entrance to Location.

4. Condition Flags and Signs
   A. Warning Sign on Access Road to Location.
   B. Flags to be Displayed on Sign at Entrance to Location.
      1. Green Flag, Normal Safe Condition.
      2. Yellow Flag, Indicates Potential Pressure and Danger.
      3. Red Flag, Danger H_2S Present in Dangerous Concentration Only Emergency Personnel Admitted to Location.

5. Well Control Equipment
   A. See Attached Diagram.

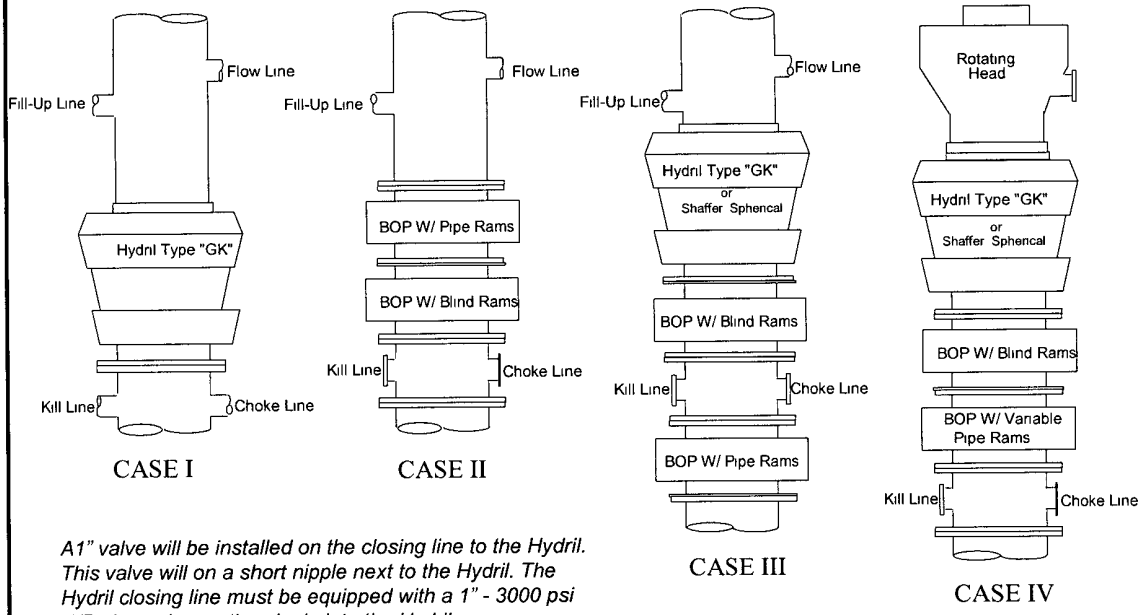
6. Communication
   A. While Working Under Masks Chalkboards Will be Used for Communication.
   B. Hand Signals will be Used Where Chalk Board is Inappropriate.
   C. Two Way Radio or Cell Phone will be Used to Communicate off Location in Case of Available at Most Drilling Foreman's Trailer or Living Quarters.

7. Drillstem Testing
   A. Exhausts will be Watered.
   B. Flare Line will be Equipped with an Electric Igniter or a propane pilot light in case gas reaches the surface.
   C. If Location is near any Dwelling a Closed DST will be Performed.

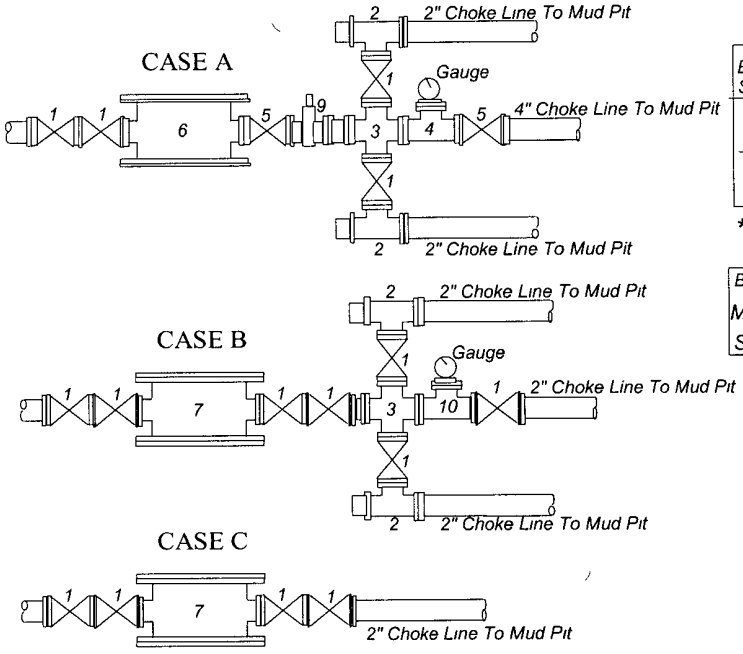
8. Drilling Contractor Supervisor will be Required to be Familiar with the Effects H_2S has on tubular goods and other mechanical equipment.

9. If H_2S Encountered, Mud system will be Altered if Necessary to Maintain Control of Formation. A Mud Gas Separator will be Brought into Service Along with H_2S Scavengers if Necessary.

Nadel and Gussman Permian _____
MINIMUM BLOWOUT PREVENTER REQUIREMENTS



A1" valve will be installed on the closing line to the Hydril. This valve will on a short nipple next to the Hydril. The Hydril closing line must be equipped with a 1" - 3000 psi WP plug valve on the nipple into the Hydril.



BOP SIZE	BOP CASE	WORKING PRESSURE	CHOKE CASE
11"	III	3000 psi	B

**Rotating head required*

Bradenhead .
Mfr: _____
Size: _____ *Type:* _____

Legend

1. *2" flanged all steel valve must be either Cameron "F", Halliburton Low Torque or Shaffer Flo-Seal.*
2. *2" flanged adjustable chokes, min. 1" full opening & equiped with hard trim.*
3. *4" x 2" flanged steel cross.*
4. *4" flanged steel tee.*
5. *4" flanged all steel valve (Type as in no. 1)*
6. *Drilling Spool with 2" x 4" flanged outlet.*
7. *Drilling Spool with 2" x 2" flanged outlet*
8. *2" x 2" flanged steel cross.*
9. *4" pressure operated gate valve.*
10. *2" flanged steel tee.*

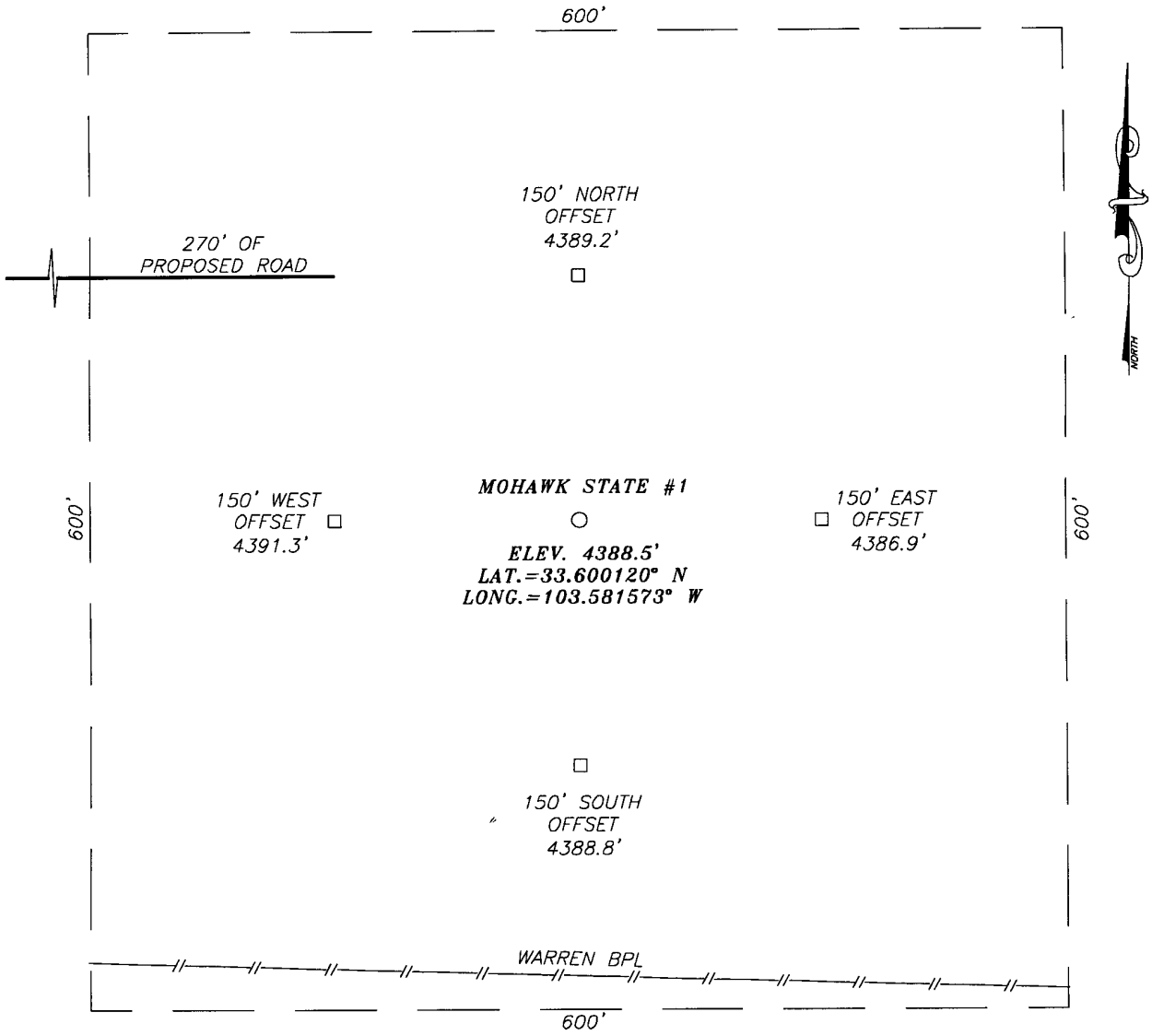
Notes

Choke manifold may be located in any convenient position. Use all steel fittings throughout. Make 90° turns with bull plugged tees only. No field welding will be permitted on any of the components of the choke manifold and related equipment upstream of the chokes. The choke spool and all lines and fittings must be at least equivalent to the test pressure of the preventers required. Independent closing control unit with clearly marked controls to be located on derrick floor near driller's position.

(10-31-96) WTXBOPS PPT

SECTION 20, TOWNSHIP 8 SOUTH, RANGE 33 EAST, N.M.P.M.,

CHAVES COUNTY, NEW MEXICO



DIRECTIONS TO LOCATION

FROM THE INTERSECTION OF ST. HWY. #170 (CARROL) AND TOBAC ROAD, GO NORTH ON TOBAC ROAD APPROX. 1.1 MILE. TURN LEFT AND GO WEST APPROX. 0.8 MILES. VEER RIGHT AND GO NORTHWEST APPROX. 0.6 MILES. VEER RIGHT AND GO NORTH APPROX. 3.6 MILES TO A PROPOSED ROAD SURVEY. FOLLOW ROAD SURVEY EAST 440 FEET TO THIS LOCATION.

100 0 100 200 Feet

Scale: 1"=100'

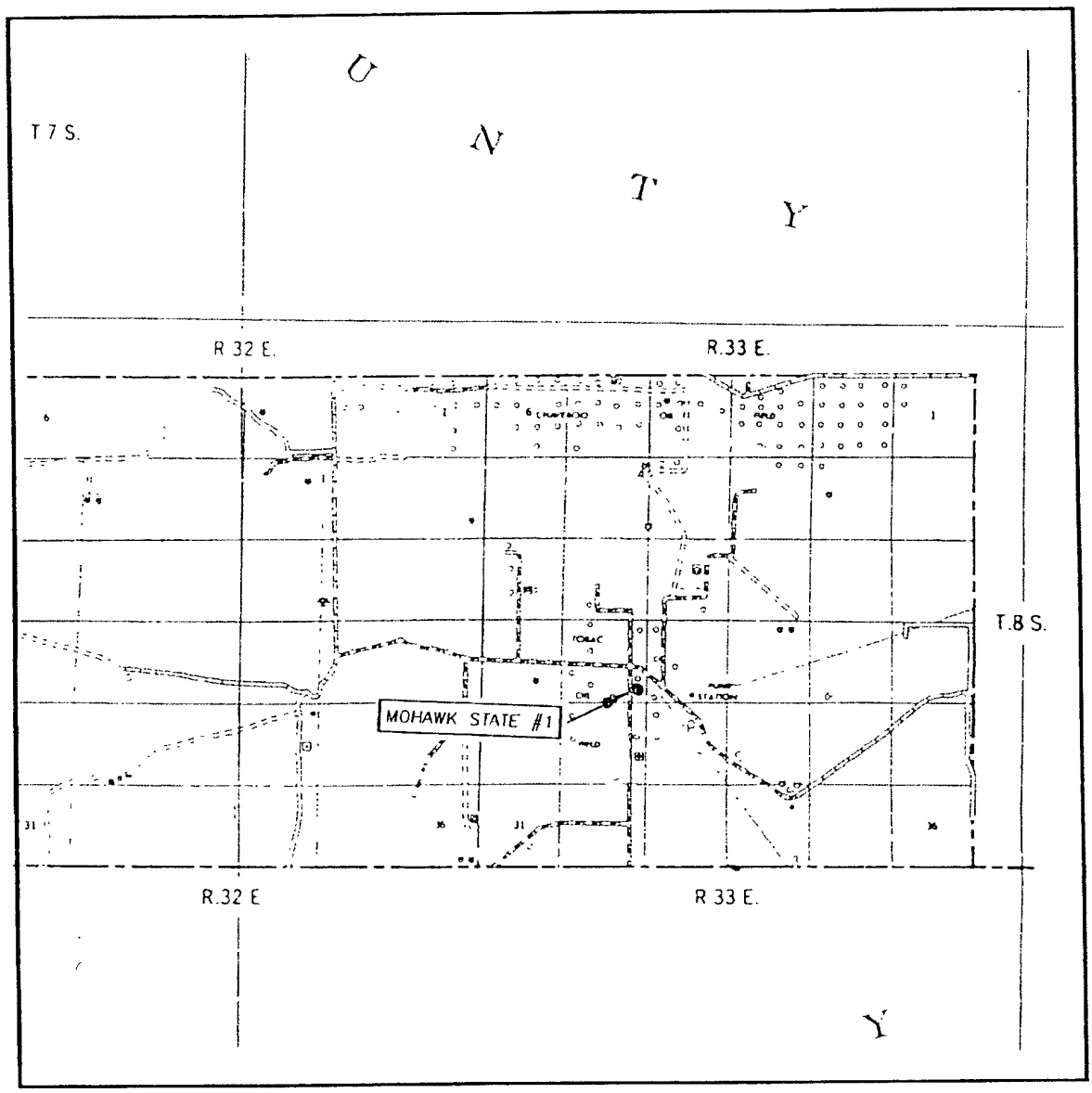
PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(575) 393-3117

NADEL AND GUSSMAN PERMIAN, LLC

MOHAWK STATE #1 WELL
LOCATED 660 FEET FROM THE SOUTH LINE
AND 660 FEET FROM THE EAST LINE OF SECTION 20,
TOWNSHIP 8 SOUTH, RANGE 33 EAST, N.M.P.M.,
CHAVES COUNTY, NEW MEXICO.

Survey Date: 9/17/09	Sheet 1 of 1 Sheets		
W.O. Number: 09.11.0855	Dr By: LA		Rev 1:N/A
Date: 9/21/09		09110855	Scale: 1"=100'

VICINITY MAP



SCALE: 1" = 2 MILES

SEC. 20 TWP. 8-S RGE. 33-E

SURVEY N.M.P.M.

COUNTY CHAVES STATE NEW MEXICO

DESCRIPTION 660' FSL & 660' FEL

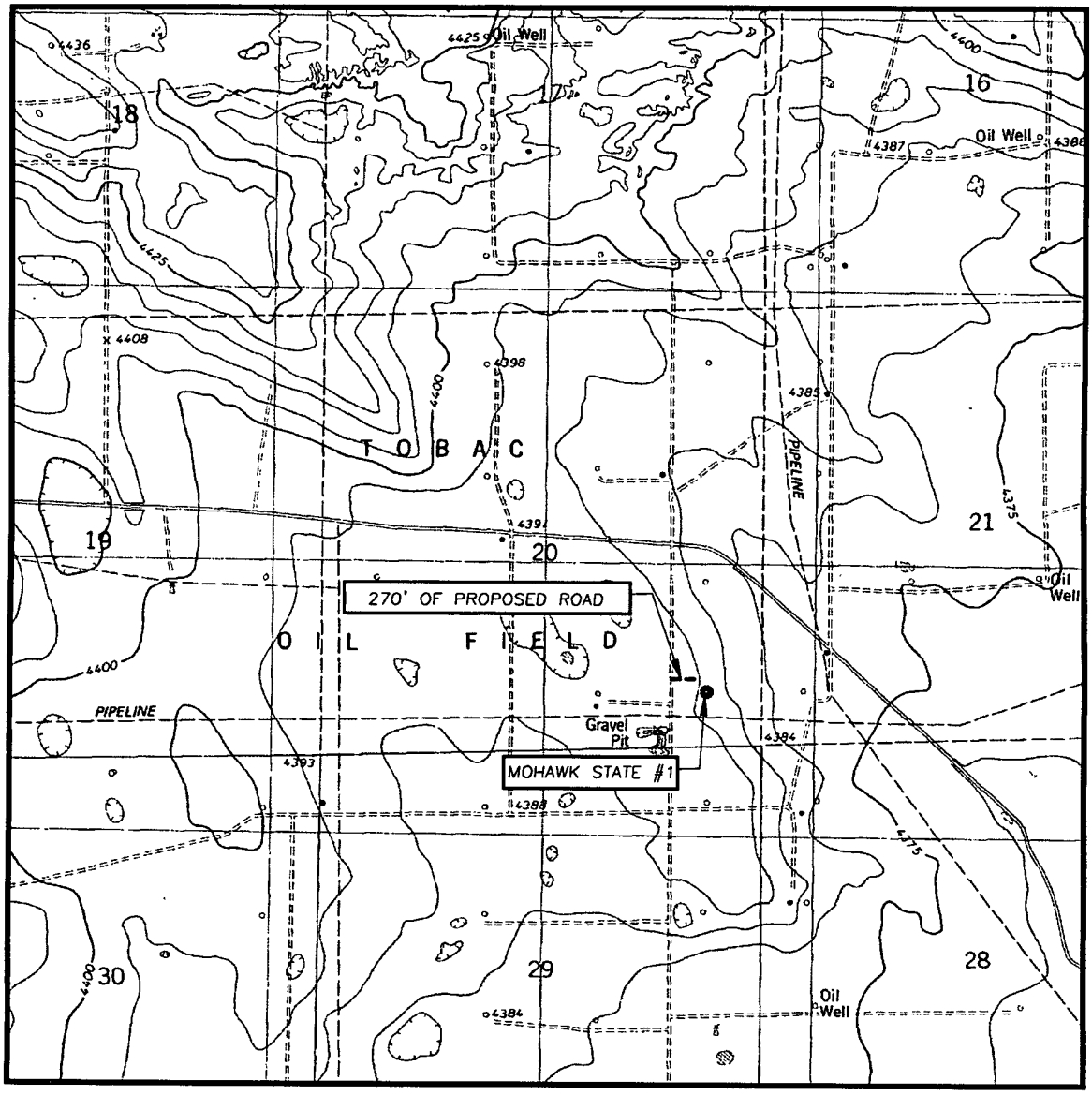
ELEVATION 4389'

OPERATOR NADEL AND GUSSMAN PERMIAN, LLC

LEASE MOHAWK STATE

PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(575) 393-3117

LOCATION VERIFICATION MAP



SCALE: 1" = 2000'

CONTOUR INTERVAL:
FLYING M RANCH, N.M. – 5'

SEC. 20 TWP. 8-S RGE. 33-E

SURVEY N.M.P.M.

COUNTY CHAVES STATE NEW MEXICO

DESCRIPTION 660' FSL & 660' FEL

ELEVATION 4389'

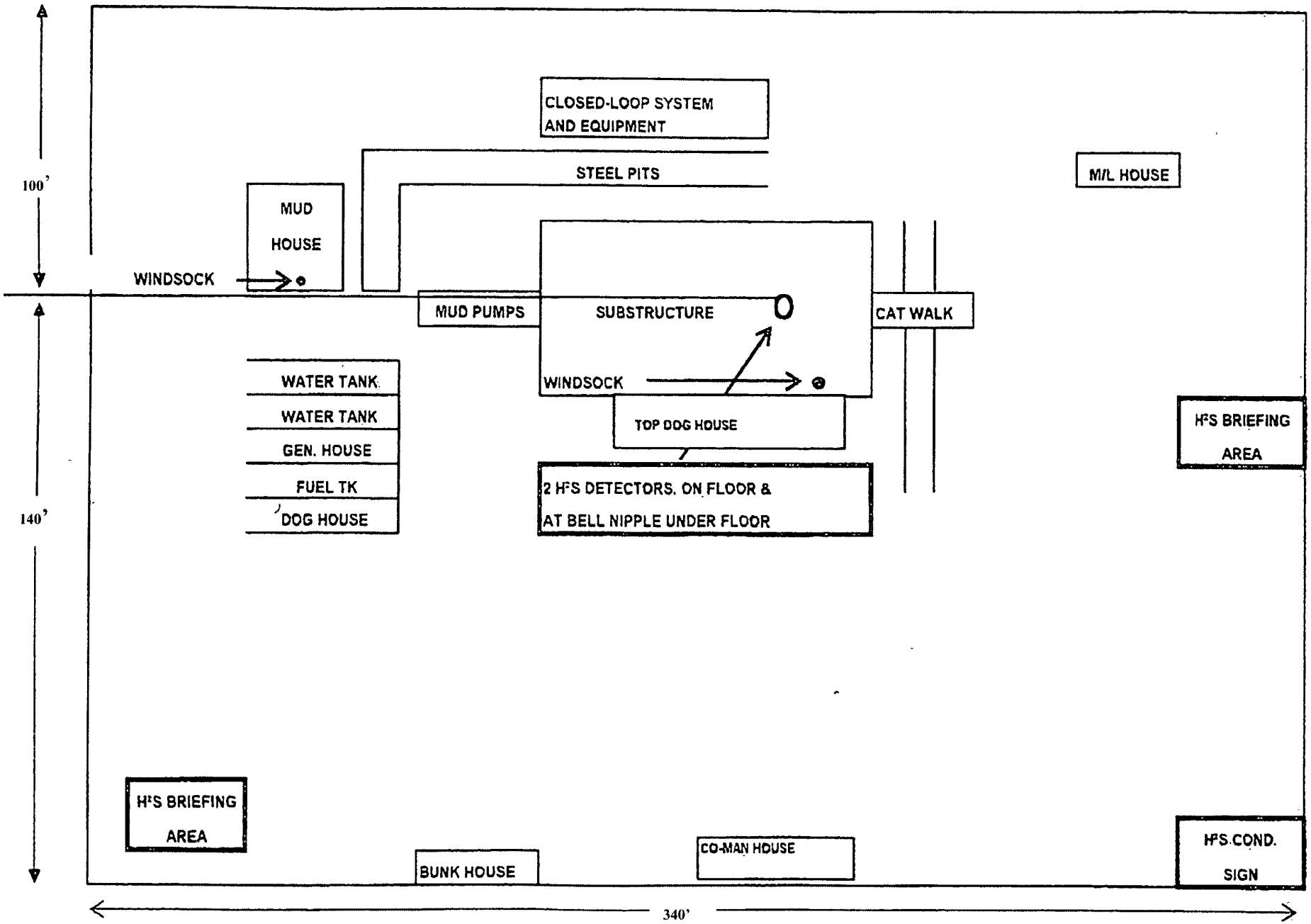
OPERATOR NADEL AND GUSSMAN PERMIAN, LLC

LEASE MOHAWK STATE

U.S.G.S. TOPOGRAPHIC MAP
FLYING M RANCH, N.M.

PROVIDING SURVEYING SERVICES
SINCE 1946
JOHN WEST SURVEYING COMPANY
412 N. DAL PASO
HOBBS, N.M. 88240
(575) 393-3117

Rig Plat


CLOSED-LOOP SYSTEM
AND EQUIPMENT
STEEL PITS
M/L HOUSE
100'
MUD
HOUSE
WINDSOCK
MUD PUMPS
SUBSTRUCTURE
CAT WALK
WATER TANK
WATER TANK
GEN. HOUSE
FUEL TK
DOG HOUSE
WINDSOCK
TOP DOG HOUSE
H2S BRIEFING
AREA
140'
2 H2S DETECTORS. ON FLOOR &
AT BELL NIPPLE UNDER FLOOR
H2S BRIEFING
AREA
BUNK HOUSE
CO-MAN HOUSE
H2S COND.
SIGN
340'

NADEL AND GUSSMAN PERMIAN, L.L.C.
601 N. Marienfeld, Suite 508
Midland, TX 79701
(432) 682-4429 (Office)
(432) 682-4325 (Fax)

10/01/09

Ms. Donna Mull
District 1 Staff Specialist
New Mexico Oil and Gas Division
1625 N. French Dr.
Hobbs, NM 88240

Re: Mohawk State #1
660' FSL & 660' FEL
Unit Letter P, Sec. 20-T8S-R33E
Chaves Co., NM

Application for Permit to Drill

Dear Ms. Mull,

Attached you will find an original and 4 copies of a C-101, C-102, C-144 CLEZ, H2S contingency letter and plan, blowout preventer requirements, location plats and maps and a rig plat for the referenced well. Drilling operations are scheduled to begin approximately on **11/01/09**.

Please contact me if you have any additional questions.

Sincerely,

Michelle Sena

Michelle Sena
Regulatory Analyst