

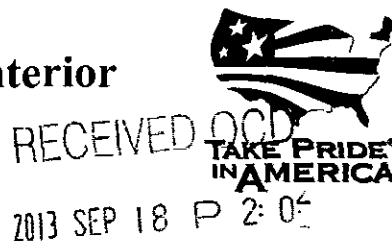


United States Department of the Interior

BUREAU OF LAND MANAGEMENT

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IN REPLY REFER TO:

September 4, 2013

3162.3-2 (P0220)
NMLC029418B

Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, NM 87505

Re: Case No. 15036 - Lea "C" Federal Waterflood Project – Convert (3) wells to injectors located in Section 11, Township 17 South, Range 31 East, NMPM, Eddy County, New Mexico

The BLM has agreed to remove our objection to the conversion of the three referenced wells located within the Lea "C" Federal lease.

Currently, the operator, Capstone Natural Resources has indicated that they only have 300 bbls per day of produced lease water to begin injection. The operator has indicated that with the current low bottom hole pressure, additional energy is needed to produce their estimated reserves. Based on past secondary recovery performance 300 bbls of water per day is insufficient to reinstate the previous waterflood and/or begin to maintain reservoir pressure. Capstone Natural Resources indicated to the BLM that they are applying to inject 300 bbls per day per well into the reservoir; additional make-up water will be necessary to reinstate a viable waterflood project.

If you have any questions regarding this approval, please contact Edward G Fernandez, Petroleum Engineer at (575) 234-2220.

Sincerely,

Edward G. Fernandez
Petroleum Engineer
Bureau of Land Management
Carlsbad Field Office

cc: Capstone Natural Resources
SOS Consulting (Ben Stone)