

District I  
1625 N. French Dr., Hobbs, NM 88240  
District II  
811 S. First St., 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  
Oil Conservation Division  
1220 South St. Francis Dr.  
Santa Fe, NM 87505

Form C-141  
Revised August 8, 2011

Submit 1 Copy to appropriate District Office in accordance with 19.15.29 NMAC.

**Release Notification and Corrective Action**

nJMN 1305955423 289372 OPERATOR  Initial Report  Final Report

Name of Company	Capstone Natural Resources LLC	Contact	Darren Seglem
Address	200 N. Loraine, Suite 1225, Midland TX 70701	Telephone No.	432-218-7924
Facility Name	Lea C Water Tank	Facility Type	Battery

Surface Owner	United States	Mineral Owner	United States	API No.	BATTERY
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**LOCATION OF RELEASE**

30-015-05134

Unit Letter	Section	Township	Range	Feet from the 2600'	North/South Line	Feet from the 2600'	East/West Line	County
G	11	17S	31E		North		East	Eddy

Latitude \_\_\_\_\_ Longitude \_\_\_\_\_

**NATURE OF RELEASE**

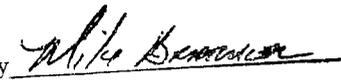
Type of Release	Salt Water	Volume of Release	+ 60 bbls.	Volume Recovered	+ 40 bbls.
Source of Release	Swage on water tank	Date and Hour of Occurrence	2/17/13 9:00 AM	Date and Hour of Discovery	2/17/13 6:00 PM
Was Immediate Notice Given?	<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No	If YES, To Whom?	Wesley Ingram, BLM		
By Whom?	Darren Seglem	Date and Hour	2/18/13 9:00 AM		
Was a Watercourse Reached?	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	If YES, Volume Impacting the Watercourse.			

If a Watercourse was Impacted, Describe Fully.\*

Describe Cause of Problem and Remedial Action Taken.\*  
Swage on water tank leaked produced water. Replaced swage and valve on water tank. New dyke around tank performed perfectly.

Describe Area Affected and Cleanup Action Taken.\*  
All fluid was 100% contained in tank dyke. Called vacuum truck to remove all produced water from dyke. We are currently waiting on BLM inspection and remediation instructions.

I hereby certify that the information given above is true and complete to the best of my knowledge and understand that pursuant to NMOCD rules and regulations all operators are required to report and/or file certain release notifications and perform corrective actions for releases which may endanger public health or the environment. The acceptance of a C-141 report by the NMOCD marked as "Final Report" does not relieve the operator of liability should their operations have failed to adequately investigate and remediate contamination that pose a threat to ground water, surface water, human health or the environment. In addition, NMOCD acceptance of a C-141 report does not relieve the operator of responsibility for compliance with any other federal, state, or local laws and/or regulations.

Signature: 	<b>OIL CONSERVATION DIVISION</b>	
Printed Name: DARREN SEGLEM	Approved by Environmental Specialist	Signed By: 
Title: Production Manager	Approval Date: FEB 28 2013	Expiration Date:
E-mail Address: dseglem@capstonenr.com	Conditions of Approval: Remediation per OCD Rule & Guidelines. <b>SUBMIT REMEDIATION PROPOSAL NO LATER THAN: March 28, 2013</b>	Attached <input type="checkbox"/>
Date: 2/21/13 Phone: 432-664-5477		

**RECEIVED**  
 FEB 25 2013  
 NMOCD ARTESIA

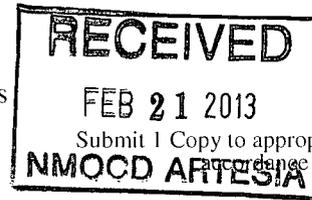
\* Attach Additional Sheets If Necessary

2RP-1571

Email Copy

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### Release Notification and Corrective Action

#### OPERATOR

Initial Report  Final Report

Name of Company	Capstone Natural Resources LLC	Contact	Darren Seglem
Address	200 N. Loraine, Suite 1225, Midland TX 70701	Telephone No.	432-218-7924
Facility Name	Lea C Water Tank	Facility Type	Battery

Surface Owner	United States	Mineral Owner	United States	API No.	BATTERY
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#### LOCATION OF RELEASE *Nearest Capstone Well: Lea C #6 30-015-05134*

Unit Letter	Section	Township	Range	Feet from the	North/South Line	Feet from the	East/West Line	County
G	11	17S	31E	2600'	North	2600'	East	Eddy

Latitude \_\_\_\_\_ Longitude \_\_\_\_\_

#### NATURE OF RELEASE

Type of Release	Salt Water	Volume of Release	+ 60 bbls.	Volume Recovered	+ 40 bbls.
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By Whom?	Darren Seglem	Date and Hour	2/18/13 9:00 AM		
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#### OIL CONSERVATION DIVISION

Signature:	Approved by Environmental Specialist:		
Printed Name: DARREN SEGLEM	Approval Date:	Expiration Date: -	
Title: Production Manager	Conditions of Approval:		
E-mail Address: dseglem@capstonenr.com			Attached <input type="checkbox"/>
Date: 2/21/13	Phone: 432-664-5477		

\* Attach Additional Sheets If Necessary

## Bratcher, Mike, EMNRD

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**From:** Darren Seglem <dseglem@capstonenr.com>  
**Sent:** Thursday, February 21, 2013 4:24 PM  
**To:** Bratcher, Mike, EMNRD  
**Cc:** Clint Brian; Lois Perry  
**Subject:** Capstone Natural Resources Spill Notice  
**Attachments:** BLM Spill Report Lea C.pdf; C-141 OCD Spill Report.doc

Mike,

We are a new operator in New Mexico and have had a spill at our Lea C lease in Eddy County. I notified the BLM (Wesley Ingram and Jim Amos) immediately of the spill on the morning of 2/18/13. I received an email today from the BLM's Mike Burton and he informed me that the OCD requires notification also. He also informed me about the OCD form C-141. I have attached to this email the spill report I sent the BLM on the 17<sup>th</sup> and the C-141 I will put in the mail today to the OCD. I will be at the Lea C all day tomorrow 2/22/13 and I would like to meet you there if possible and make a plan to remediate to your specifications. The spill was +/- 60 bbls of produced water and was completely contained within the dyke around the water tank. I have now read the release rules on the OCD website and realize that I was to provide notification of any release over 25 bbls immediately which I did not do and was my mistake.

If you can't meet me tomorrow please let me know when you can make it and either me or our foreman can meet you to get remediation instructions.

Thanks,

Darren Seglem  
Production Manager  
Capstone Natural Resources, LLC  
200 N Loraine Suite 1225  
Midland, TX 79701  
Office & Fax 432-218-7924  
Cell 432-664-5477



# Spill Report

To: (Appropriate BLM or FS Office)  
Bureau Of land Management  
620 E. Greene St.  
Carlsbad, NM 88220

From: (Oil & Gas Operator)  
Capstone Natural Resources LLC  
200 N. Loraine, Suite 1225  
Midland TX, 79701

## Subject: Report of Undesirable Event (NTL-3A; CDM 642.3.36)

Date of Occurrence: 2/17/13 Time of Occurrence: 6:00

a.m./p.m. Date Reported to BLM: 2/18/13 Time Reported to BLM:

a.m./p.m. Date Reported to FS: \_\_\_\_\_ Time Reported to FS:

a.m./p.m.

Other Federal, State, and Local Government Agencies Notified and Date(s)

Location: State New Mexico County Eddy  
SW 1/4 NE 1/4 Section 11 T. T-17-S, R. 31 E ;  
Meridian

Operator:

Surface Ownership [Federal (FS, BLM, Other), Indian, Fee, State]: BLM

Lease Number: NMLC-029418B Unit Name or C.A. Number Lea C Federal

Type of Event: Blowout, Fire, Fatality, Injury, Property Damage, Oil Spill, Saltwater Spill,  
Toxic Fluid Spill, Oil and Saltwater Spill, Oil and Toxic Fluid Spill,  
Saltwater and Toxic Fluid Spill, Gas Venting, or Other (Specify)

\*\*\*Saltwater Spill\*\*\*

Cause of Event: Swage on water tank leaked produced water.

Volumes of Pollutants I. Discharged or Consumed: +/- 60 BBLS  
II. Recovered: +/- 40 BBLS ( all fluids were 100 % contained in tank dyke)

Time Required to Control Event (in hours): 3

Action Taken to Control Event, Description of Resultant Damage, Clean-up Procedures,  
and Dates: Called vacuum truck to suck up all produced water from dyke.

Cause and Extent of Personnel Injury: none

Sensitive Areas or Surface Waters Potentially Affected: none

Action Taken or Planned to Clean Up and Prevent Recurrence:

Replace swage and valve on water tank. New dyke around tank performed perfectly.

General Remarks:

-----  
**Signature** \_\_\_\_\_ **Date** \_\_\_\_\_

**Title** \_\_\_\_\_

FOR BLM OR FS USE ONLY  
District \_\_\_\_\_ Date Reported to BLM or FS \_\_\_\_\_