

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
 [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
 [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
 [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
 [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
 [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

6786

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication Capstone Natural Resources, LLC
Lea C Federal 18
30-015-40993
 NSL NSP SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR
- [D] Other: Specify _____

- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply
- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Brian Wood

Brian Wood

Consultant

3-11-13

Print or Type Name

Signature

Title

Date

brian@permitswest.com

e-mail Address



PROVIDING PERMITS for LAND USERS

37 Verano Loop, Santa Fe, New Mexico 87508 (505) 466-8120

**REQUEST FOR ADMINISTRATIVE APPROVAL
NONSTANDARD LOCATION
CAPSTONE NATURAL RESOURCES, LLC
LEA C FEDERAL 18
1280' FSL & 2599' FWL
SECTION 11, T. 17 S., R. 31 E., EDDY COUNTY, NM
API 30-015-40993**

I. This oil well (see APD as Exhibit A) is on BLM surface and BLM oil and gas lease NMLC-029418B (1,200 acres). The well is 1,280' from the closest lease line (Exhibit B). The proposed oil well is nonstandard for the Grayburg Jackson; SR-Q-G-SA (Pool 28509) ~~due to land uses (3 existing wells, roads, pipelines, and power lines) and to minimize potential impact to sand dune lizard habitat~~ (Exhibit C).

Capstone requests a nonstandard location due to land uses and natural resource conservation issues. A standard location must be at least 330' from the quarter-quarter line. The well bore is 40' from the north quarter-quarter line and 41' from the east quarter-quarter line (see C-102 as EXHIBIT D). It is 290' too far north and 289' too far east.

II. Form C-102 showing the well and 40 acre pro ration unit (SESW Section 11) is attached as Exhibit D.

Exhibit E shows the existing Grayburg Jackson; SR-Q-G-SA acreage dedications (dashed lines). The well encroaches 290' too far north and 289' too far east toward the NESW and E2SE4 Section 11. The encroachments are part of the same lease.

Capstone operates all Grayburg Jackson; SR-Q-G-SA wells in the SESW Section 11 and five bordering or cornering quarter-quarters, all of which are in Section 11 and on the same lease. There is common ownership in the Grayburg Jackson; SR-Q-G-SA in the affected quarter-quarters. Closest Grayburg Jackson; SR-Q-G-SA well is Capstone's Lea C 9 (30-015-20648), which is 876' southwest at 660' FSL & 1980' FWL Section 11.

III. The oil and gas lease boundary is shown on EXHIBIT B. The well encroaches to the north, northeast, and east. The encroachments are part of the same BLM lease. Seven existing Grayburg Jackson; SR-Q-G-SA pro ration

units (see Exhibit E) touch the proposed pro ration unit. All five in Section 11 are Capstone operated. There is common ownership of the Grayburg Jackson; SR-Q-G-SA working interest in the quarter-quarter (SESW Section 11) in which the well is located, the quarter-quarters (NESW & SWSE Section 11) toward which the well encroaches, and the closest cornering quarter-quarter (NWSE Section 11). This information is current and correct.

IV. Exhibit E shows the proposed well, proration unit, and all wells. Grayburg Jackson; SR-Q-G-SA wells are circled. Capstone does not believe directional drilling to a standard location from an existing pad is cost effective for this well.

V. Land uses (three existing wells, roads, pipelines) and natural resource conservation issues (minimize possible impact to sand dune lizard habitat) prevent a standard location.

VI. Archaeology is not an issue.

VII. Natural resource conservation issues (minimize potential impact to sand dune lizard habitat) and land uses (3 existing wells, roads, pipelines) prevent a standard location.

VIII. Capstone does not believe directional drilling to a standard location is cost effective for this well.

IX. I hereby certify that there is common ownership and partner approval of the Grayburg Jackson; SR-Q-G-SA working interest in the lease which comprises the proposed 40 acre spacing unit (SESW Section 11), the adjacent quarter-quarters (NESW & SWSE Section 11) of the sides toward which it encroaches, and the single closest corner to the proposed well (NWSE Section 11) toward which it encroaches and that the information is current and correct. Therefore, notice to any affected party is not required.

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

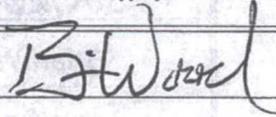
APPLICATION FOR PERMIT TO DRILL OR REENTER

5. Lease Serial No. NMLC-029418B	
6. If Indian, Allottee or Tribe Name N/A	
7. If Unit or CA Agreement, Name and No. N/A	
8. Lease Name and Well No. LEA C FEDERAL 18	
9. API Well No. 30-015- 40993	
10. Field and Pool, or Exploratory GRAYBURG JACKSON; SR-Q-G-SA	11. Sec., T. R. M. or Blk. and Survey or Area SESW 11-17S-31E NMPM
12. County or Parish EDDY	13. State NM
14. Distance in miles and direction from nearest town or post office* 4 AIR MILES SW OF MALJAMAR, NM	15. Distance from proposed* location to nearest property or lease line, ft. (Also to nearest drig. unit line, if any) 1280'
16. No. of acres in lease 1,200	17. Spacing Unit dedicated to this well SESW
18. Distance from proposed location* to nearest well, drilling, completed, applied for, on this lease, ft. 633' (Tea Mack 11 #39)	19. Proposed Depth 4,500'
20. BLM/BIA Bond No. on file NMB000879	21. Elevations (Show whether DF, KDB, RT, GL, etc.) 3,942' UNGRADED
22. Approximate date work will start* 12/15/2012	23. Estimated duration 3 WEEKS

24. Attachments

The following, completed in accordance with the requirements of Onshore Oil and Gas Order No.1, must be attached to this form:

- Well plat certified by a registered surveyor.
- A Drilling Plan.
- A Surface Use Plan (if the location is on National Forest System Lands, the SUPO must be filed with the appropriate Forest Service Office).
- Bond to cover the operations unless covered by an existing bond on file (see Item 20 above).
- Operator certification
- Such other site specific information and/or plans as may be required by the BLM.

25. Signature 	Name (Printed/Typed) BRIAN WOOD (505 466-8120)	Date 11/11/2012
Title CONSULTANT (FAX 505 466-9682)		
Approved by (Signature)	Name (Printed/Typed)	Date
Title	Office	

Application approval does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon. Conditions of approval, if any, are attached.

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Continued on page 2)

*(Instructions on page 2)

EXHIBIT A



lease

Lea C Federal 18

EXHIBIT B

Looking east from northeast corner of pad along proposed access toward existing road.



EXHIBIT C

DISTRICT I
1625 N. French Dr., Hobbs, NM 88240
Phone: (575) 393-6161 Fax: (575) 393-0720

DISTRICT II
811 S. First St., Artesia, NM 88210
Phone: (575) 748-1283 Fax: (575) 748-9720

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410
Phone: (505) 334-6178 Fax: (505) 334-6170

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505
Phone: (505) 476-3460 Fax: (505) 476-3462

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, New Mexico 87505

Form C-102
Revised August 1, 2011

Submit one copy to appropriate District Office

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-015		Pool Code 28509	Pool Name GRAYBURG JACKSON, SR-Q-G-SA
Property Code 20880	Property Name LEA C FEDERAL		Well Number 18
OGRID No. 289372	Operator Name CAPSTONE NATURAL RESOURCES, LLC		Elevation 3942'

Surface Location

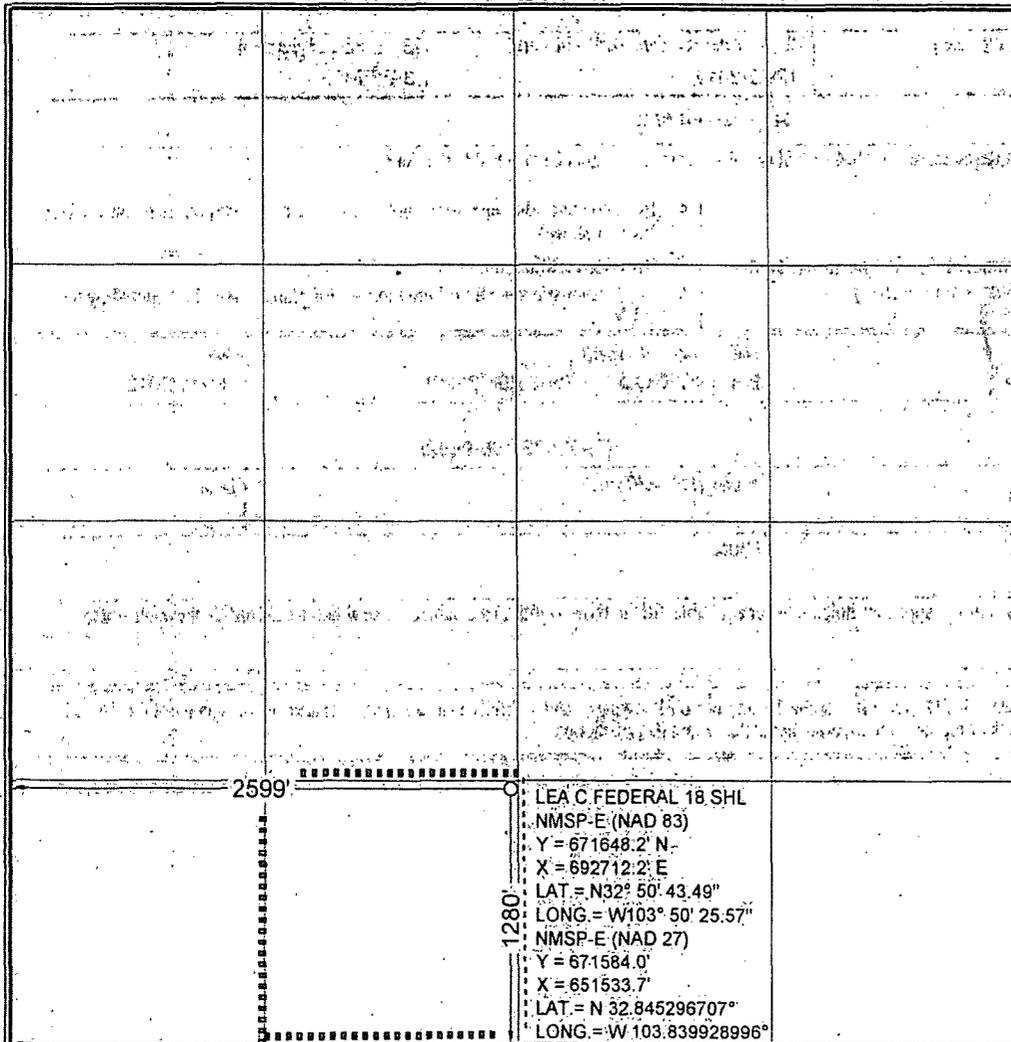
UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
N	11	17 S	31 E		1280	SOUTH	2599	WEST	EDDY

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 40	Joint or Infill	Consolidated Code	Order No.
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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.



OPERATOR CERTIFICATION
I hereby certify that the information contained 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 a mineral or working interest, or to voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

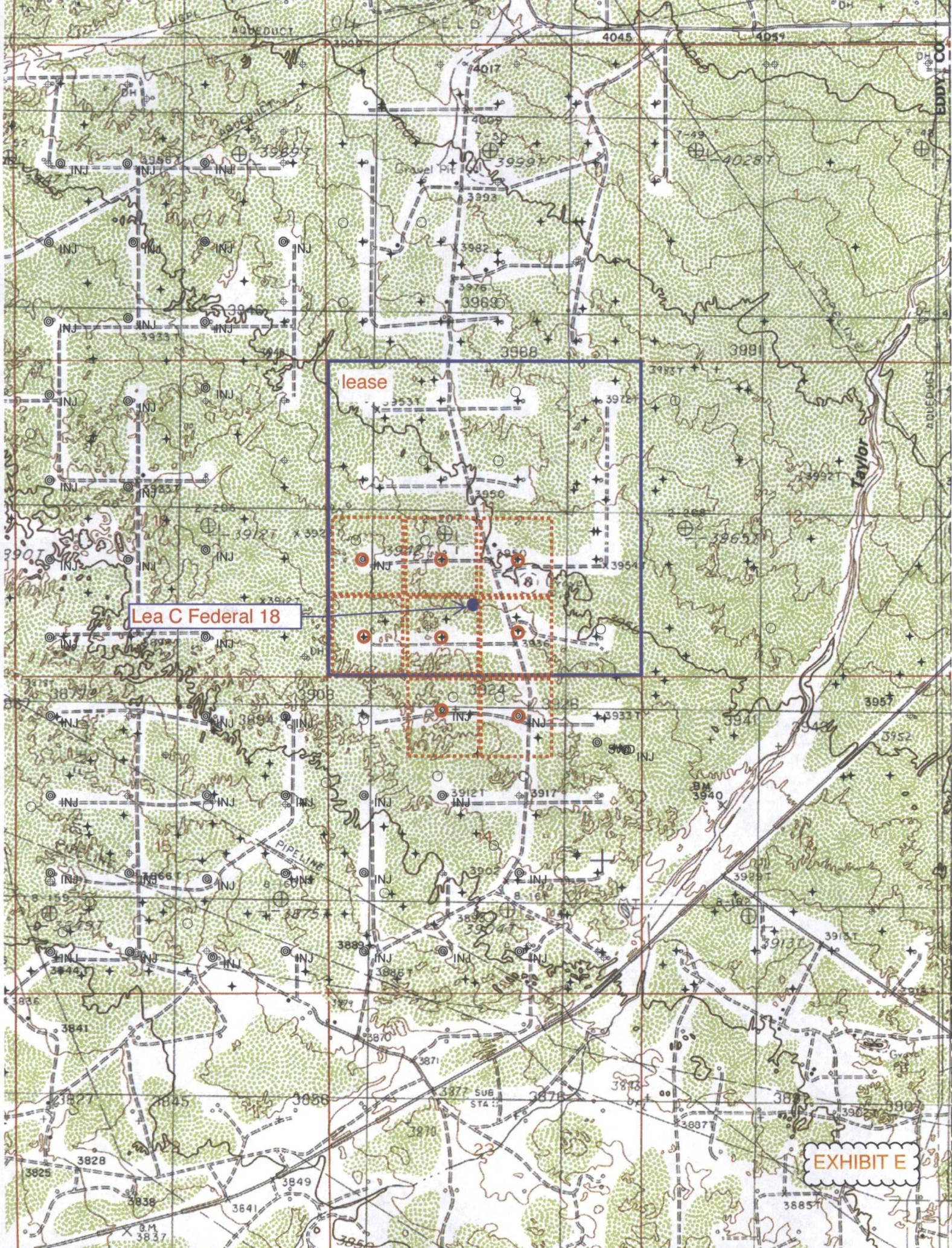
[Signature] 11-11-12
Signature: _____ Date: _____
Brian Wood
Print Name: _____
brian@permitswest.com
E-mail Address: _____

SURVEYORS CERTIFICATION
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.

JUNE 27, 2012
Date of Survey: _____
Signature and Seal of Professional Surveyor: _____

[Signature]
Job No.: WTC48591
JAMES E. TOMPKINS 14729
Certificate Number: _____

EXHIBIT D



lease

Lea C Federal 18

EXHIBIT E

EDDY CO

PIPELINE

Taylor

ABSECON

Gravel Pit

PIPELINE

SUB STA

