

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

nJMW 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 North	Feet from the 2600'	East/West Line East	County
G	11	17S	31E					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 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.*


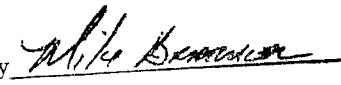
Describe Cause of Problem and Remedial Action Taken.*

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.

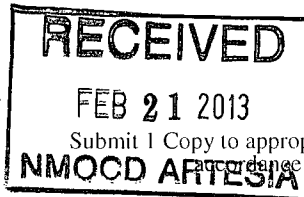
Signature: 	OIL CONSERVATION DIVISION	
Printed Name: DARREN SEGLEM	Approved by Environmental Specialist:	Signed By: 
Title: Production Manager	Approval Date: FEB 28 2013	Expiration Date:
E-mail Address: dseglem@capstonenr.com	Conditions of Approval: Remediation per OCD Rule & Guidelines. SUBMIT REMEDIATION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

* Attach Additional Sheets If Necessary

2RP-1571

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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
-----------------------------	-----------------------------	-----------------

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.
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 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.*

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

* Attach Additional Sheets If Necessary

Bratcher, Mike, EMNRD

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 17th 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 Eddy County

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 _____

Title _____

Date _____

FOR BLM OR FS USE ONLY

District _____

Date Reported to BLM or FS _____