

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTFORM APPROVED
OMB NO. 1004-0135
Expires: July 31, 2010**SUNDRY NOTICES AND REPORTS ON WELLS**
*Do not use this form for proposals to drill or to re-enter an abandoned well. Use form 3160-3 (APD) for such proposals.*5. Lease Serial No.
NMLC029418B

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

SUBMIT IN TRIPLICATE - Other instructions on reverse side.

1. Type of Well

☒ Oil Well ☐ Gas Well ☐ Other8. Well Name and No.
LEA C FEDERAL 172. Name of Operator Contact: CLINT BRIAN
CAPSTONE NATURAL RESOURCES LLC Email: cbrian@capstonenr.com9. API Well No.
30-015-40879-00-X13a. Address
2250 E 73RD ST SUITE 500
TULSA, OK 741363b. Phone No. (include area code)
Ph: 918-236-380010. Field and Pool, or Exploratory
GRAYBURG JACKSON SR-Q-GRBG-S

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

Sec 11 T17S R31E SESE 330FSL 330FEL

11. County or Parish, and State

EDDY COUNTY, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

TYPE OF SUBMISSION	TYPE OF ACTION			
<input checked="" type="checkbox"/> Notice of Intent	<input type="checkbox"/> Acidize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input type="checkbox"/> Subsequent Report	<input type="checkbox"/> Alter Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input checked="" type="checkbox"/> Other
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	Venting and/or Flaring
	<input type="checkbox"/> Convert to Injection	<input type="checkbox"/> Plug Back	<input type="checkbox"/> Water Disposal	

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Capstone Natural Resources would like to request permission for a temporary Flare at the Lea "C" Battery. New drill well, Lea C #17 is producing about 20 MCFD of gas. There are two more new drills that have yet to be completed. The completion fracs on these other two wells are larger than the #17 and the expected worst case scenario of gas flare would be 180 MCFD at the battery, if the other two new drills produce on a similar gas oil ratio as the #17. An attempt to get gas sales is in process. There is an active gathering line already at the Lea "C" Battery and Frontier (Aka Energy) is the owner of this system. We are currently working on getting a contract completed and our gas tied into their system. The only problem is that their system is full and will be so until the completion of their plant expansion in late August. Worst case scenario is flaring gas until September 2013.

**SEE ATTACHED FOR
CONDITIONS OF APPROV**Accepted for record
NMOC

LEA C 4/24/13

RECEIVED

APR 19 2013

NMOCD ARTESIA

14. I hereby certify that the foregoing is true and correct.

Electronic Submission #200132 verified by the BLM Well Information System
For CAPSTONE NATURAL RESOURCES LLC, sent to the Carlsbad
Committed to AFMSS for processing by KURT SIMMONS on 03/04/2013 (13KMS5265SE)

Name (Printed/Typed) CLINT BRIAN

Title ENGINEER

Signature (Electronic Submission)

Date 02/27/2013

THIS SPACE FOR FEDERAL OR STATE OFFICE USE**APPROVED**

Approved By

Title

APR 16 2013

Date

Conditions of approval, if any, are attached. Approval of this notice 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.

Office

BUREAU OF LAND MANAGEMENT
CARLSBAD FIELD OFFICE

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 any false statement to or for any agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

**** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ** BLM REVISED ******SUBJECT TO LIKE
APPROVAL BY STATE**

BUREAU OF LAND MANAGEMENT
Carlsbad Field Office
620 East Greene Street
Carlsbad, New Mexico 88220
575-234-5972

4/16/2013

Condition of Approval to Flare Gas

1. Report all volumes on OGOR reports.
2. Comply with NTL-4A requirements
3. Subject to like approval from NMOCD
4. **Flared volumes will still require payment of royalties**
5. Install gas meter on vent/flare line to measure gas prior to venting/flaring operations if it is not equipped as such at this time. Gas meter to meet all requirements for sale meter as Federal Regulations and Onshore Order #5.
6. This approval does not authorize any additional surface disturbance.
7. Submit updated facility diagram as per Onshore Order #3.
8. Approval not to exceed 90 days for date of approval.
9. Submit Subsequent Report with actual volumes of gas flared for each month gas is flared.
10. If flaring is still required past 90 days submit new request for approval.