

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

OCD Artesia

FORM APPROVED
Budget Bureau No. 1004-0137
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.**SUBMIT IN TRIPLICATE - Other instructions on page 2.*

1. Type of Well <input checked="" type="checkbox"/> Oil <input type="checkbox"/> Gas <input type="checkbox"/>		RECEIVED JUL 16 2013 NMOCD ARTESIA	5. Lease Serial No. NMLC-029418B
2. Name of Operator CAPSTONE NATURAL RESOURCES, LLC			6. If Indian, Allottee or Tribe Name
3a. Address 2250 E. 73 RD ST. SUITE 500, TULSA, OK 74136		3b. Phone No. (include area code) 918-236-3800	7. If Unit or CA, Agreement, Name and/or No.
4. Location of Well (Footage, Sec., T., R., M., or Survey Description) SW/4 NE/4, SEC. 11, T17S, 31E, NMPM		8. Well Name and No. Lea C Federal Battery	
		9. API Well No. Battery	
		10. Field and Pool, or Exploratory Area GRAYBURG JACKSON; SR-Q-G-SA	
		11. County or Parish, State EDDY, 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 FLARE
	<input type="checkbox"/> Change Plans	<input type="checkbox"/> Plug and Abandon	<input type="checkbox"/> Temporarily Abandon	
	<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 recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must 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 LLC would like to request an extension to Flare at the Lea C Battery. Currently, the #17 gas production is too small to measure; the #18 well is now producing approximately 116 MCFPD.

As previously stated in the Sundry dated February 27, 2013, there is an active gathering line already at the Lea C Battery and Frontier is the owner of this system. Frontier's system is unable to take our gas at this time as their system is full. Frontier is currently working on plant expansion and they anticipate completing the expansion within the next few months. Therefore, we respectfully request an additional 90-day extension to Flare.

**SEE ATTACHED FOR
CONDITIONS OF APPROVAL**

Accepted for record
NMOCD

**SUBJECT TO LIKE
APPROVAL BY STATE**

14. I hereby certify that the foregoing is true and correct Name (Printed/Typed) DEBBIE MCKELVEY	Title AGENT 575-392-3575
Signature <i>Debbie McKelvey</i>	Date 7/8/13

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by /s/ Jerry Blakley	Title Date JUL 12 2013
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 to any department or agency of the United States and false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction

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

7/2/2013

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.
11. If a portable unit is used to flare gas it must be monitored at all times.
12. Comply with any restrictions or regulations when on State or Fee surface.

JDB722013

