

UNITED STATES  
DEPARTMENT OF THE INTERIOR  
BUREAU OF LAND MANAGEMENT

OCD Artesia

FORM APPROVED  
OMB 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.**

5. Lease Serial No.  
NMLC-029418B

6. If Indian, Allottee or Tribe Name  
N/A

**SUBMIT IN TRIPLICATE - Other instructions on page 2.**

1. Type of Well  
 Oil Well     Gas Well     Other

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

2. Name of Operator  
Capstone Natural Resources, LLC

8. Well Name and No.  
Lea C Federal #17

3a. Address  
200 North Loraine, Suite 1225, Midland TX 79701

3b. Phone No. (include area code)  
432-664-5477

9. API Well No.  
30-015- **40879**

10. Field and Pool or Exploratory Area  
Grayburg Jackson; SR-Q-G

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)  
330' FSL & 330' FEL, Sec. 11, T17S, R31E

11. Country or Parish, State  
Eddy County, New Mexico

**12. CHECK THE 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 Change of Drilling Rig, APD revisions
	<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 recomplete 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 must 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 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.)

We have changed drilling contractors and want to revise Capstone's approved APD. The revisions included are for the BOP stack and plumbing, H2S plan, and closed loop foot print.

Accepted for record  
NMOCD *JES*  
*1/16/2013*

**RECEIVED**  
JAN 16 2013  
NMOCD ARTESIA

*Original COAs Apply*

14. I hereby certify that the foregoing is true and correct. Name (Printed/Typed)  
Darren Seglem

Title Production Manager

Signature

Date

*1/14/2013*

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

Approved by

Title

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

**APPROVED**

Date  
**JAN 15 2013**  
*/s/ Chris Walls*

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 any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

## HYDROGEN SULFIDE (H2S) PLAN & TRAINING

This plan was developed in accordance with 43 CFR 3162.3-1, section III.C, Onshore Oil and Gas Operations Order No. 6.

Based on our area testing H2S at 100 PPM has a radius of 139' and does not get off our well sites. There are no schools, residences, churches, parks, public buildings, recreation area or public within 2+ miles of our area.

### A. Training

#### 1. Training of Personnel

All personnel, whether regularly assigned, contracted, or employed on an unscheduled basis, will receive training from a qualified instructor in accordance with 43 CFR 3162.3-1, section III.C.3.a. Training will be given in the following areas prior to commencing drilling operations on each well:

- a. The hazards and characteristics of Hydrogen Sulfide (H2S).
- b. The proper use and maintenance of personal protective equipment and life support systems.
- c. The proper use of H2S detectors, alarms, warning systems, briefing areas, evacuation procedures and the prevailing wind.
- d. The proper techniques for first aid and rescue procedures.
- e. ATTACHED HYDROGEN SULFIDE (H2S) CONTINGENCY PLAN DRILLING EXHIBIT O
- f. ATTACHED EMERGENCY CALL LIST FOR ANY ON SITE EMERGENCY DRILLING EXHIBIT P.

#### 2. Training of Supervisory Personnel

In addition to the training above, supervisory personnel will also be trained in the following areas:

- a. The effects of H2S on metal components. If high tensile tubulars are to be used, personnel will be trained in special maintenance requirements.
- b. Corrective action and shut-in procedures when drilling or reworking a well, blowout prevention and well control procedures.
- c. The contents and requirements of the H2S Drilling Operations Plan and the Public Protection Plan (if applicable.)

#### 3. Initial and Ongoing Training

There will be an initial training session just prior to encountering a known or probable H2S zone (within 3 days or 500 feet) and weekly H2S and well control drills for all personnel in each crew. The initial training session shall include a review of the site specific H2S Drilling Operations Plan and the Public Protection Plan (if applicable). This plan shall be available at the well site. All personnel will be required to carry documentation that they have received the proper training.

## **B. H2S Drilling Operations Plan**

### **1. Well Control Equipment**

- a. Flare line(s) and means of ignition
- b. Remote control choke
- c. Flare gun/flares
- d. Mud-gas separator

### **2. Protective equipment for essential personnel:**

- a. Mark II Surviveair (or equivalent) 30 minute units located in the dog house and at the primary briefing area (to be determined.)
- b. Means of communication when using protective breathing apparatus.

### **3. H2S detection and monitoring equipment:**

- a. Three (3) portable H2S monitors positioned on location for best coverage and response. These units have warning lights at 10 PPM and warning lights and audible sirens when H2S levels of 15 PPM is reached. A digital display inside the doghouse shows current H2S levels at all three (3) locations.
- b. An H2S Safety compliance set up is on location during all operations.
- c. We will monitor and start fans at 1- ppm or less, an increase over 10 ppm results in the shutdown and installation of the mud/gas separator.
- d. Portable H2S and SO2 monitor(s).

### **4. Visual warning systems:**

- a. Wind direction indicators will be positioned for maximum visibility.
- b. Caution/Danger signs will be posted on roads providing direct access to location. Signs will be painted a high visibility yellow with black lettering of sufficient size to be readable at reasonable distance from the immediate location. Bilingual signs will be used when appropriate.

### **5. Mud program:**

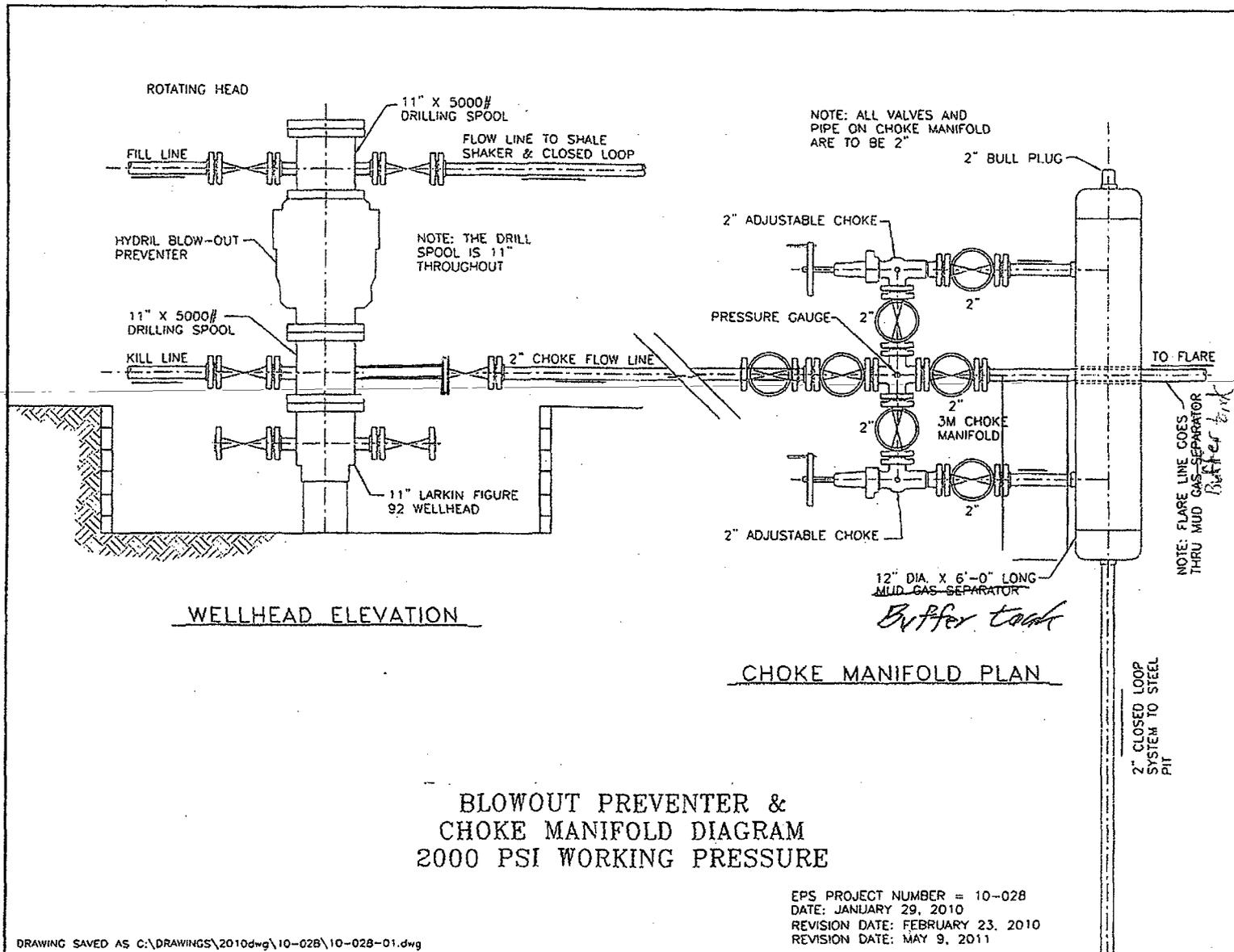
- a. The mud program has been designed to minimize the volume of H2S circulated to the surface Proper mud weight, safe drilling practices and the use of H2S scavengers will minimize hazards when penetrating H2S bearing zones.

### **6. Metallurgy:**

- a. All drill strings, casings, tubing, wellheads, Hydril BOPS, drilling spools, kill lines, choke manifold, valves and lines will be suitable for H2S service.
- b. All elastomers used for packing and seals shall be H2S trim.

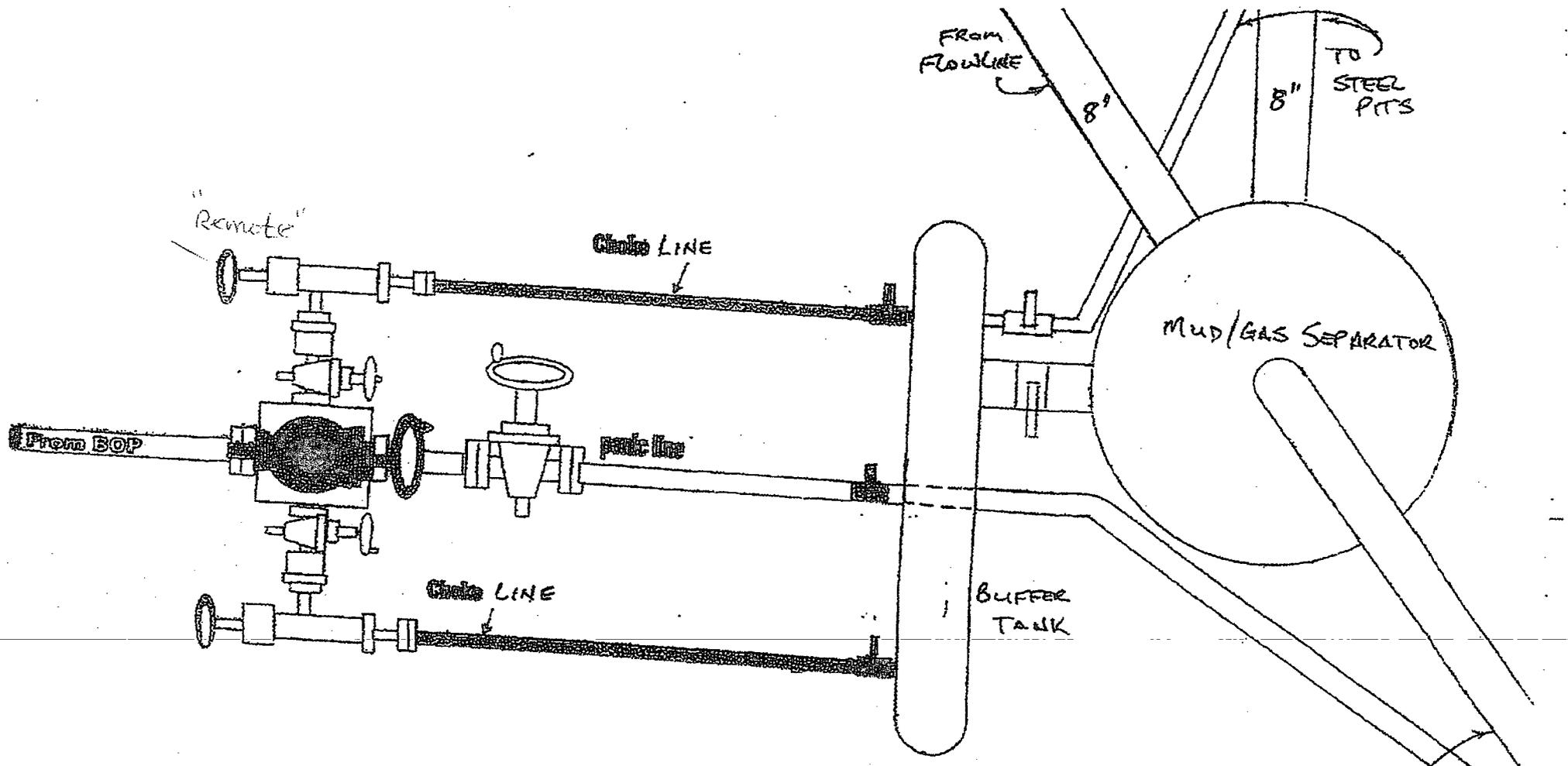
**7. Communication:**

- a. Cellular Telephone and/or 2-way radio will be provided at well site.
- b. Landline telephone is located in our field office.



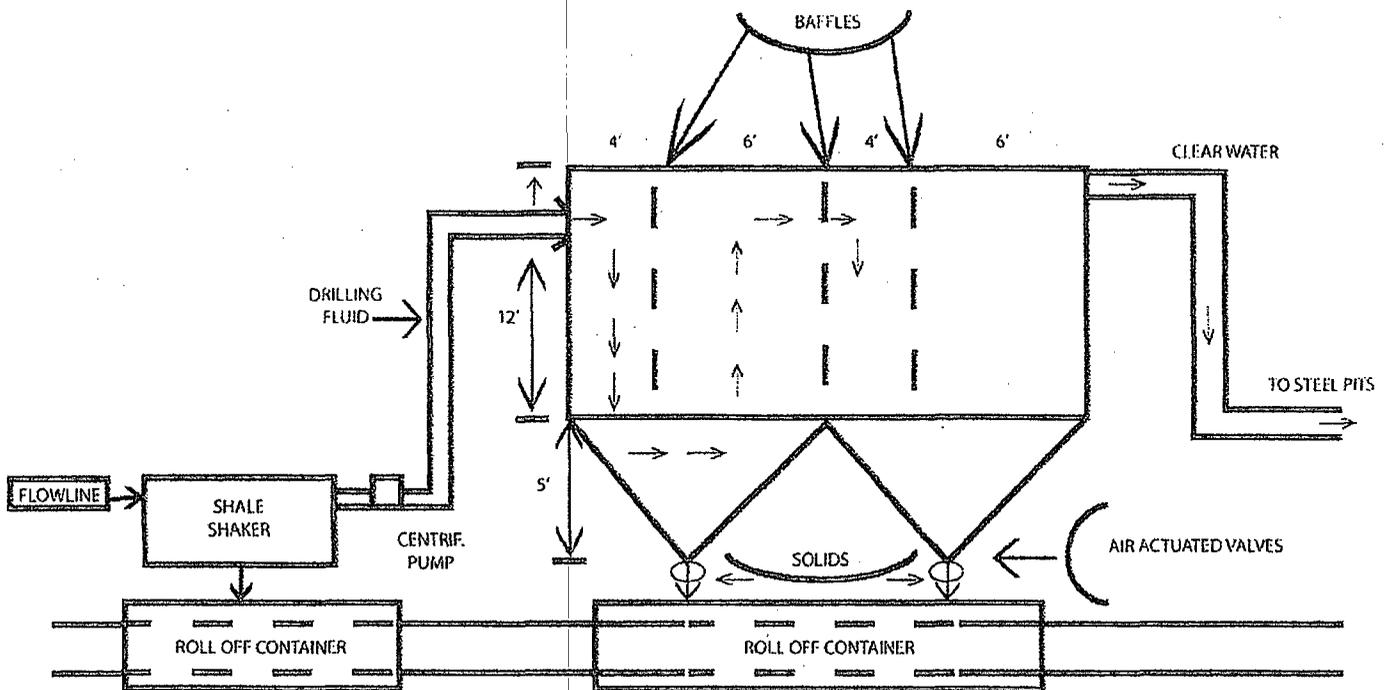
**BLOWOUT PREVENTER &  
CHOKES MANIFOLD DIAGRAM  
2000 PSI WORKING PRESSURE**

EPS PROJECT NUMBER = 10-028  
 DATE: JANUARY 29, 2010  
 REVISION DATE: FEBRUARY 23, 2010  
 REVISION DATE: MAY 9, 2011



2000# / 3000# BOP manifold system  
 FOR POTENTIAL H<sub>2</sub>S ENVIRONMENT

TO  
 FLARE  
 PIT  
 (150' FROM  
 WELL HEAD)  
 WITH ELECTRIC  
 OR PROPANE  
 HEATER



### OPERATIONS & MAINTENANCE

Drilling Fluids from the wellbore will go through the flow line across the shale shaker. Solids will drop into roll off containers with baffles as drawn above. Baffles slow fluid velocity to allow solids to fall down through 6" air actuated valves into roll off containers. Clean water goes back out to the drilling fluid steel pits. Solids and any leftover liquid will be hauled to disposal.

### INSPECTION

The closed loop equipment will be inspected daily by each tour and any necessary maintenance performed. Any leak in the system will be repaired and .or contained immediately. OCD will be notified within 48 hours. Remediation process started.

### CLOSURE PLAN

During drilling operations, all liquids, drilling fluids and cutting will b e hauled off via CRO (Controlled Recovery Incorporated Permit R-9166)