

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

Form C-141
Revised August 8, 2011

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

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 |
|---------------|---------------|---------------|---------------|---------|---------|

LOCATION OF RELEASE

30-015-05134

| Unit Letter | Section | Township | Range | Feet from the 2600' | North/South Line | Feet from the 2600' | East/West Line | County |
|-------------|---------|----------|-------|---------------------|------------------|---------------------|----------------|--------|
| G | 11 | 17S | 31E | | North | | East | Eddy |

Latitude _____ Longitude _____

NATURE OF RELEASE

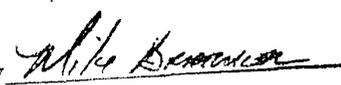
| | | | | | |
|-----------------------------|---|---|--------------------|----------------------------|-----------------|
| Type of Release | Salt Water | Volume of Release | + 60 bbls. | Volume Recovered | + 40 bbls. |
| Source of Release | Swage on water tank | Date and Hour of Occurrence | 2/17/13 9:00 AM | Date and Hour of Discovery | 2/17/13 6:00 PM |
| Was Immediate Notice Given? | <input checked="" type="checkbox"/> Yes <input type="checkbox"/> 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. | | | |

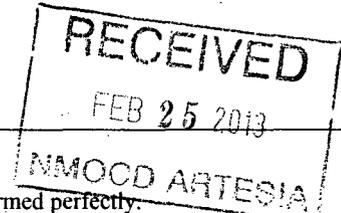
If a Watercourse was Impacted, Describe Fully.*

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 PROPOSAL NO LATER THAN: | Attached <input type="checkbox"/> |
| Date: 2/21/13 Phone: 432-664-5477 | March 28, 2013 | |



2RP-1571

* Attach Additional Sheets If Necessary