

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, 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
Department
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-144 CLEZ
July 21, 2008

For closed-loop systems that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure, submit to the appropriate NMOCD District Office.

Closed-Loop System Permit or Closure Plan Application

(that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure)

Type of action: Permit Closure

Instructions: Please submit one application (Form C-144 CLEZ) per individual closed-loop system request. For any application request other than for a closed-loop system that only use above ground steel tanks or haul-off bins and propose to implement waste removal for closure, please submit a Form C-144.

Please be advised that approval of this request does not relieve the operator of liability should operations result in pollution of surface water, ground water or the environment. Nor does approval relieve the operator of its responsibility to comply with any other applicable governmental authority's rules, regulations or ordinances.

Operator: CAPSTONE NATURAL RESOURCES, LLC OGRID #: 289372
Address: 200 NORTH LORRAINE, SUITE 1225, MIDLAND, TX 79701
Facility or well name: LEA C FEDERAL 16
API Number: 30-015-20707 OCD Permit Number: 214183
U/I. or Qtr/Qtr A Section 11 Township 17S Range 31E County: EDDY
Center of Proposed Design: Latitude 32.8545614986744 Longitude 103.833957049702 NAD: 1927 1983
Surface Owner: Federal State Private Tribal Trust or Indian Allotment

Closed-loop System: Subsection H of 19.15.17.11 NMAC

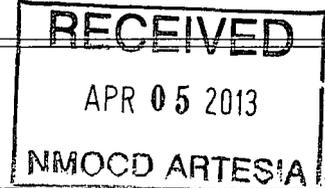
Operation: Drilling a new well Workover or Drilling (Applies to activities which require prior approval of a permit or notice of intent) P&A

Above Ground Steel Tanks or Haul-off Bins

Signs: Subsection C of 19.15.17.11 NMAC

12" x 24", 2" lettering, providing Operator's name, site location, and emergency telephone numbers

Signed in compliance with 19.15.3.103 NMAC



Closed-loop Systems Permit Application Attachment Checklist: Subsection B of 19.15.17.9 NMAC

Instructions: Each of the following items must be attached to the application. Please indicate, by a check mark in the box, that the documents are attached.

- Design Plan - based upon the appropriate requirements of 19.15.17.11 NMAC
- Operating and Maintenance Plan - based upon the appropriate requirements of 19.15.17.12 NMAC
- Closure Plan (Please complete Box 5) - based upon the appropriate requirements of Subsection C of 19.15.17.9 NMAC and 19.15.17.13 NMAC

Previously Approved Design (attach copy of design) API Number: _____

Previously Approved Operating and Maintenance Plan API Number: _____

Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only: (19.15.17.13.D NMAC)

Instructions: Please indentify the facility or facilities for the disposal of liquids, drilling fluids and drill cuttings. Use attachment if more than two facilities are required.

Disposal Facility Name: Controlled Recovery Inc. Disposal Facility Permit Number: NM-01-0006 (mud)

Disposal Facility Name: Gandy Marley Inc. Disposal Facility Permit Number: NM-01-0019 (brine)

Will any of the proposed closed-loop system operations and associated activities occur on or in areas that will not be used for future service and operations?

Yes (If yes, please provide the information below) No

Required for impacted areas which will not be used for future service and operations:

Soil Backfill and Cover Design Specifications - - based upon the appropriate requirements of Subsection H of 19.15.17.13 NMAC

Re-vegetation Plan - based upon the appropriate requirements of Subsection I of 19.15.17.13 NMAC

Site Reclamation Plan - based upon the appropriate requirements of Subsection G of 19.15.17.13 NMAC

Operator Application Certification:

I hereby certify that the information submitted with this application is true, accurate and complete to the best of my knowledge and belief.

Name (Print): Debbie McKelvey Title: AGENT

Signature: Debbie McKelvey Date: 4/4/13

e-mail address: debmcKelvey@earthlink.net Telephone: 575-392-3575

7. **OCD Approval:** Permit Application (including closure plan) Closure Plan (only)

OCD Representative Signature: S. R. Klade Approval Date: 4/11/2013

Title: DIST # System OCD Permit Number: 214183

8. **Closure Report (required within 60 days of closure completion):** Subsection K of 19.15.17.13 NMAC
Instructions: Operators are required to obtain an approved closure plan prior to implementing any closure activities and submitting the closure report. The closure report is required to be submitted to the division within 60 days of the completion of the closure activities. Please do not complete this section of the form until an approved closure plan has been obtained and the closure activities have been completed.

Closure Completion Date: _____

9. **Closure Report Regarding Waste Removal Closure For Closed-loop Systems That Utilize Above Ground Steel Tanks or Haul-off Bins Only:**
Instructions: Please identify the facility or facilities for where the liquids, drilling fluids and drill cuttings were disposed. Use attachment if more than two facilities were utilized.

Disposal Facility Name: Controlled Recovery, Inc. Disposal Facility Permit Number: NM-01-0006 (mud)

Disposal Facility Name: Gandy Marley Inc. Disposal Facility Permit Number: NM-01-0019 (brine)

Were the closed-loop system operations and associated activities performed on or in areas that *will not* be used for future service and operations?
 Yes (If yes, please demonstrate compliance to the items below) No

Required for impacted areas which will not be used for future service and operations:

- Site Reclamation (Photo Documentation)
- Soil Backfilling and Cover Installation
- Re-vegetation Application Rates and Seeding Technique

10. **Operator Closure Certification:**

I hereby certify that the information and attachments submitted with this closure report is true, accurate and complete to the best of my knowledge and belief. I also certify that the closure complies with all applicable closure requirements and conditions specified in the approved closure plan.

Name (Print): Debbie McKelvey Title: Agent

Signature: _____ Date: _____

e-mail address: debmckelvey@earthlink.net Telephone: 575-392-3575

Lea C Federal #16

Item #4

Design Plan

Two tanks will be on location:

One – 500 bbl. Flowback tank

One – 500 bbl. Frac tank

OPERATING AND MAINTENANCE PLAN:

Perform daily walk around, and if leak is detected, the OCD will be notified immediately and the leak will be contained immediately.

CLOSURE PLAN:

Upon completion, tanks will be removed, and liquids will be hauled to disposal facility indicated.