



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

January 9, 2007

Capataz Operating, Inc.
Attn: Mr. H. Scott Davis, President
P.O. Drawer 10549
Midland, TX 79702

Administrative Order NSL-4952-A

Re: L&M Well No. 1
API No. 30-025-28287
N-2-20S-38E
Lea County

Dear Mr. Davis:

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS07-00534159**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on December 27, 2006

(b) your supplemental communication dated January 3, 2007, and

(c) the Division's records pertinent to this request, including the Division's file with reference to Administrative Order NSL-4952, issued on October 23, 2003.

Capataz Operating, Inc. (Capataz) has requested to recomplete its L&M Well No. 1 (API No. 30-025-28287) at an unorthodox Blinebry oil well location, 1368 feet from the South line and 966 feet from the West line (Unit L) of Section 2, Township 20 South, Range 38 East, N.M.P.M., in Lea County, New Mexico. This is a directional well that was drilled from a surface location 660 feet from the South line and 1320 from the West line (Unit N) of Section 2. The NW/4 SW/4 of Section 2 will be dedicated to this well in order to form a standard 40-acre spacing and proration unit in the House-Blinebry Pool (33230). This pool is governed by statewide Rule 104.B(1), which provides for 40-acre units, with wells located at least 330 feet from a unit outer boundary. The horizontal location of the proposed Blinebry perforations is approximately 48 feet from the southern unit boundary.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

It is our understanding that Capataz is seeking this location in order to utilize an existing wellbore that was originally drilled to a bottom hole location in another formation.

It is also understood that notice of this application to offsetting operators or owners is unnecessary because working interest ownership of the SW/4 SW/4 of Section 2, towards which this location encroaches, is identical to the subject unit.

Pursuant to the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,



Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Hobbs