



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop
Cabinet Secretary

October 23, 2003

Lori Wrotenbery
Director
Oil Conservation Division

Capataz Operating, Inc.
P. O. Drawer 10549
Midland, Texas 79702

Attention: H. Scott Davis
capatazhsd@aol.com

Administrative Order NSL-4952 (BHL)

Dear Mr. Davis:

Reference is made to the following: (i) your application dated September 5, 2003 (*administrative application reference No. pMES0-328837671*), which was received by the New Mexico Oil Conservation Division ("Division") in Santa Fe on September 29, 2003; (ii) your e-mail message of Friday, October 17, 2003, to Mr. Michael E. Stogner, Engineer with the Division in Santa Fe checking on the status of this application; (iii) your two telephone conversations with Mr. Stogner on Monday, October 20, 2003, and Tuesday, October 21, 2003; and (iv) the Division's records in Santa Fe, including the files in Division Case No. 7926 and on Division Administrative Orders NSL-4630 and NSL-4630-A: all concerning Capataz Operating, Inc.'s ("Capataz") request for a non-standard subsurface oil producing area/bottomhole oil well location in both the Undesignated House-Drinkard (33250) and Undesignated House-Tubb Pools (78760), as defined by Division Rules 111.A (7) and 104.B (1), within a project area [see Division Rule 111.A (9)] comprising a single standard 40-acre oil spacing and proration unit for both pools comprising the NW/4 SW/4 (Unit L) of Section 2, Township 20 South, Range 38 East, NMPM, Lea County, New Mexico.

Your application has been duly filed under the provisions of Division Rules 104.F and 111.C (2).

By Division Order No. R-7332, issued in Case No. 7926 on August 8, 1983, Exxon Corporation was granted authorization to directionally drill its New Mexico "DK" State Well No. 1 (API No. 30-025-28287) from a surface location 660 feet from the South line and 1320 feet from the West line of Section 2 at a standard subsurface oil well location in the McKee Sand formation at an approximate depth of 10,000 feet (MD) within the NW/4 SW/4 (Unit L) of Section 2, being a standard 40-acre oil spacing and proration unit for this interval. It is the Division's understanding that Exxon Corporation commenced drilling its New Mexico "DK" State Well No. 1 on August 22, 1983 and on November 8, 1983 reached total depth of 9,713 feet (MD). This well was subsequently "junked and abandoned" in January, 1984.

Per your application, Capataz, at this time intends to re-enter this well, re-designate it the L&M Well No. 1, and dually complete in both the oil bearing Drinkard and Tubb intervals.

From the information provided, the actual bottom-hole location of this wellbore at a depth of 9,568 feet (MD) is located 1996 feet from the North line and 652 feet from the West line (Unit L) of Section 2. Further, this well's subsurface locations within the:

(a) shallower Undesignated House-Tubb Pool are as follows: (i) the top, at a depth of 6,688 feet (MD) or 6,589 feet (TVD), is approximately 1340 feet from the South line and 980 feet from the West line (Unit L) of Section 2; and (ii) the bottom, at a depth of 6,980 feet (MD) or 6,871 feet (TVD), is approximately 1414 feet from the South line and 943 feet from the West line (Unit L) of Section 2. Pursuant to Division Rule 104.B (1), the entire Tubb "producing interval" [see Division Rule 111.A (8)] within this wellbore is unorthodox; and

(b) deeper Undesignated House-Drinkard Pool: (i) the top, which corresponds to the base of the Tubb interval at a depth of 6,980 feet (MD) or 6,871 feet (TVD), is approximately 1414 feet from the South line and 943 feet from the West line (Unit L) of Section 2; and (ii) the bottom, at a depth of 7,428 feet (MD) or 7,302 feet (TVD), is approximately 1532 feet from the South line and 884 feet from the West line (Unit L) of Section 2. Pursuant to Division Rule 104.B (1), the entire Drinkard "producing interval" within this wellbore is also unorthodox.

By the authority granted me under the provisions of Division Rule 104.F (2), the above-described non-standard Tubb and Drinkard subsurface oil well locations within the NW/4 SW/4 (Unit L) of Section 2 and wellbore path of Capataz's L & M Well No. 1 (New Mexico "DK" State Well No. 1) are hereby approved.

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

Sincerely,



Lori Wrotenbery
Director

LW/mes

cc: New Mexico Oil Conservation Division – Hobbs
New Mexico State Land Office – Santa Fe

REMARKS: That portion of your application concerning the Southwest House-Blinbry Gas Pool (97195) for a second wellbore or infill well within an existing standard 160-acre gas spacing unit comprising the SW/4 of Section 2, which is currently dedicated to Capataz's Redtag Well No. 2 (API No. 30-025-35630), located at an unorthodox gas well location 2410 feet from the South line and 2210 feet from the West line (Unit K) of Section 2 (approved by Division Administrative Order NSL-4630-A, dated April 5, 2002); being an exception to Division Rule 104.D (3), cannot be processed administratively and will require a hearing.