

Susp Date: LD-20-03
 ID No. PMESD-328837671

CAPATAZ OPERATING, INC.
P.O. Drawer 10549
Midland, Texas 79702
(432)620-8820, fax (432)620-8842

09/05/03

RECEIVED

SEP 29 2003

Mr. Michael Stogner
 New Mexico Oil Conservation Division
 1220 South St. Francis Dr.
 Santa Fe, New Mexico 87505

**OIL CONSERVATION
 DIVISION**

Re: Capataz Operating, Inc.
 Proposal to Re-Enter
 Exxon DK State #1
 2-T20S-R38E
 Lea County, New Mexico

30-025-28287

Dear Mr. Stogner;

Capataz Operating, Inc. proposes to re-enter, case and complete the plugged and abandoned Exxon DK State #1. The captioned well was drilled in 1983 and plugged and abandoned on 11/22/83 after reaching a total depth of 9568'. Exxon's McKee sand test spudded at a surface location 1320' FWL and 660' FSL in Section 2-T20S-R38E, 13-3/8" 61# casing was run to 448' and cement circulated to surface and 9-5/8" 40# casing was run to 3825' and cemented back to surface with 1500 sacks of Class "H" cement. Exxon drilled out the casing shoe with a 7-7/8" bit and began directional drilling operations at roughly 4000'. The well was directionally drilled to 9568' with a bottom hole location 651.78' FWL and 1996.44' FSL (2-T20S-R38E). The Exxon directionally drilled the well due to surface conditions which prevented drilling a vertical hole at Exxon's preferred buttonhole location in Unit "L". The surface of unit "L", under which Exxon bottomed the well, is occupied by very large earthen retaining pits. These pits are used by the City of Hobbs for retention of effluent water produced by their sewage treatment facility (the pits are highlighted on the enclosed aerial photograph).

Capataz Operating, Inc. proposes to re-enter the captioned well, attempt a completion in Drinkard, Tubb and Blinebry intervals and downhole commingle the three zones. These zones are located as follows:

<u>Formation</u>	<u>Depth</u>	<u>Bottom Hole Location</u>
Total Depth	7400'	895.40' ⁹⁴³ FWL & 1509.19' FSL
3) Drinkard Top	6980'	⁹⁴³ 1039.46' FWL & ¹⁴¹⁴ 1224.09' FSL
2) Tubb Top	6688'	✓ 979.86' FWL & 1340.29' FSL
1) Blinebry Top	6166'	927.66' FWL & 1444.69' FSL

Fri 11:03 PM (10/17)
432-620-8820
- voice mail message
from Scott Davis

9:49 AM (10/20)
Scott Davis
voice mail message

The attached location plat shows the proposed re-entry well's surface location and the location of the top of each of the prospective productive intervals relative to the surface. By utilizing the existing DK State well bore Capataz will significantly reduce the costs to produce the estimated 50,000 BO and 400,000 MCF recoverable reserves from all three zones believed to be productive in the DK State. Utilizing the existing well bore reduces our overall well costs and allows us to recover reserves which would otherwise not be commercially viable.

30-025-35630 see NSL-4630/4630-A

The Capataz Redtag #2 in unit K, Section 2, T20S-R38E, currently produces from the Blinebry formation (5952'-6035'). The well was originally completed in the Abo and Drinkard formations within a standard 40 acre proration unit for both intervals comprising the NE/4 SW/4 of Section 2. In early 2002, a retrievable plug was set above the Drinkard and the Blinebry interval was successfully completed as a flowing gas well. Due to the high gas rates associated with the Blinebry completion, the Commission approved the SW/4 of Section 2 as a 160 acre unit for the unorthodox Blinebry gas well location.

By virtue of this completion, the working interest participants earned Partial Assignments of State of New Mexico Lease No. B-9652 covering the entire SW/4 of Section 2 from the surface of the earth down to and including, but not below, the subsurface depth of 7,890'.

Kaiser Francis operates the well located on the SW/4 SE/4 (Unit P) of Section 2. The well currently produces approximately 3 BO and 40 MCFG per day from the Drinkard formation. Capataz operates the Redtag#1 well located in the NW/4 SE/4 (Unit J) of Section 2. That well currently produces approximately 15 BO and 40 MCFG per day. Leonard Resource Investment Corporation, who manages lease acquisitions for our group, has substantial leasehold position in the NW/4 of Section 2, E/2 of Section 3, NE/4 of Section 10 and NW/4 of Section 11, all in T-20-S, R-38E. Attached for your review is a lease ownership map reflecting the status of this acreage offsetting the re-entry location.

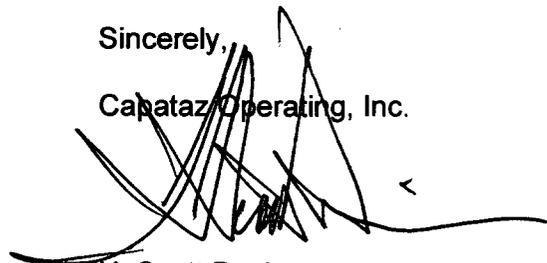
Capataz requests that the NMOCD:

- 1) approve our request to re-enter the Exxon DK State #1,
- 2) designate the well as the Capataz Operating, Inc. L&M #1,
- 3) allocate units "L" and "M" as an eighty acre proration unit for production purposes,
- 4) grant Capataz approval to complete the well at any or all of the potential non-standard locations for the Drinkard, Tubb and Blinebry intervals created by the directional nature of this well bore.

Approval of Capataz' request will promote the recovery of reserves which would not otherwise be produced.

Thank you for your consideration.

Sincerely,
Capataz Operating, Inc.



H. Scott Davis
President

capatazhsd@aol.com

- CC: C-101 & C-102 (Drinkard, Tubb & Blinebry zones)
- Aerial Photograph of Location
- NMOCD Reports on Exxon DK State
- Directional Survey
- Lease Ownership Map

cc - Jim Brune

District I
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1000 Rio Brazos Road, Aztec, NM 87410
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State of New Mexico
Energy Minerals and Natural Resources

Form C-101
Revised March 17, 1999

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

Submit to appropriate District Office
State Lease - 6 Copies
Fee Lease - 5 Copies

AMENDED REPORT

APPLICATION FOR PERMIT TO DRILL, RE-ENTER, DEEPEN, PLUGBACK, OR ADD A ZONE

¹ Operator Name and Address CAPATAZ OPERATING, INC., PO BOX 10549, MIDLAND, TX 79702		² OGRID Number 3659
		³ API Number 30 - 025-28287
⁴ Property Code ---	⁵ Property Name L & M	⁶ Well No. 1

⁷ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
NM	2	20S	38E		660'	SOUTH	1320'	WEST	LEA

⁸ Proposed Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	2	20S	38E		1509'	SOUTH	895'	WEST	LEA

⁹ Proposed Pool 1 HOUSE, DRINKARD	¹⁰ Proposed Pool 2 HOUSE, TUBB
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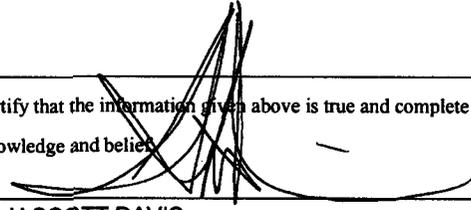
¹¹ Work Type Code E	¹² Well Type Code M	¹³ Cable/Rotary ROTARY	¹⁴ Lease Type Code S	¹⁵ Ground Level Elevation 3580
¹⁶ Multiple Y	¹⁷ Proposed Depth 7400'	¹⁸ Formation DRINKARD	¹⁹ Contractor ROD RIC	²⁰ Spud Date 11/04/03

²¹ Proposed Casing and Cement Program

Hole Size	Casing Size	Casing weight/foot	Setting Depth	Sacks of Cement	Estimated TOC
17-1/2	13-3/8*	61#	448'	350	SURFACE
12-1/4	9-5/8*	40#	3825'	1500	SURFACE
7-7/8	5-1/2	17#	7400'	750	3500'

²² Describe the proposed program. If this application is to DEEPEN or PLUG BACK, give the data on the present productive zone and proposed new productive zone. Describe the blowout prevention program, if any. Use additional sheets if necessary.

LOCATE AND EXCAVATE SURFACE CASING. REMOVE MARKER, CUT OFF CAP & WELD ON CASING HEAD. RU DRILLING RIG. INSTALL BOP. DRILL OUT CEMENT PLUGS TO 3700'. TEST CASING TO 500#. DRILL OUT ALL PLUGS TO 7400'. CIRCULATE HOLE CLEAN. RUN OPEN HOLE LOGS. RUN AND CEMENT 5-1/2" 17# CASING W/ 750 SX. RDMO DRILLING RIG. MIRU COMPLETION RIG AND PERF AND STIMULATE AS INDICATED BY OPEN HOLE LOGS.
*****EXISTING CASING STRINGS RUN AND CEMENTED BY EXXON.*****

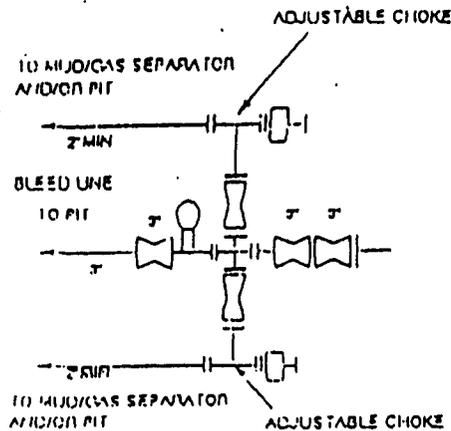
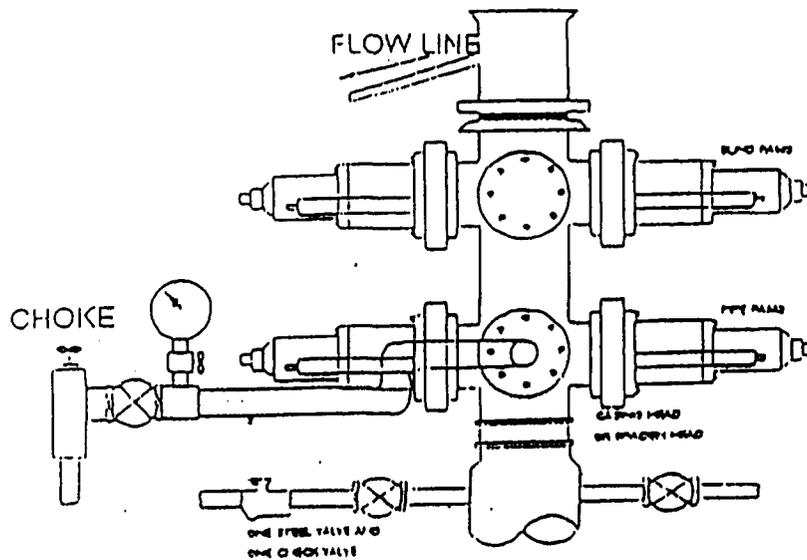
²³ I hereby certify that the information given above is true and complete to the best of my knowledge and belief. Signature: 	OIL CONSERVATION DIVISION	
	Approved by:	
Printed name: H SCOTT DAVIS	Title:	
Title: AGENT	Approval Date:	Expiration Date:
Date: 09/23/03	Phone: 432-620-8820	Conditions of Approval: Attached <input type="checkbox"/>

BLOWOUT PREVENTER

3000 PSI WP

THE FOLLOWING CONSTITUTE MINIMUM BLOWOUT PREVENTER REQUIREMENTS

- A. One double gate blowout preventer with lower rams for pipe and upper rams blind, all hydraulically controlled.
- B. Opening on preventers between rams to be flanged, studded or clamped and at least two inches in diameter.
- C. All connections from operating manifold to preventers to be all steel hose or tube a minimum of one inch in diameter.
- D. The available closing pressure shall be at least 15% in excess of that required with sufficient volume to operate (close, open and re-close) the preventers.
- E. All connections to and from preventers to have a pressure rating equivalent to that of the BOP's.
- F. Manual controls to be installed before drilling cement plug.
- G. Valve to control flow through drill pipe to be located on rig floor.
- H. All chokes will be adjustable. Choke spool may be used between rams.



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State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised August 15, 2000
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-28287		² Pool Code 33230		³ Pool Name House, Blinebry	
⁴ Property Code		⁵ Property Name L & M			⁶ Well Number 1
⁷ OGRID No. 3659		⁸ Operator Name Capataz Operating, Inc.			⁹ Elevation 3850

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
MN	2	20S	38E		660	South	1320	West	Lea

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	2	20S	38E		1221.09	South	1039.46	West	Lea

¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

¹⁶ 	¹⁷ OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i> Signature H Scott Davis Printed Name Agent Title 09/23/03 Date
	¹⁸ SURVEYOR CERTIFICATION <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i> Date of Survey Signature and Seal of Professional Surveyor:
	Certificate Number

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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

1 API Number 30-025-28287		2 Pool Code 78760		3 Pool Name House, Tubb	
4 Property Code		5 Property Name L & M			6 Well Number 1
7 OGRID No. 3659		8 Operator Name Capataz Operating, Inc.			9 Elevation 3850

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
MN	2	20S	38E		660	South	1320	West	Lea

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
	2	20S	38E		1340.29	South	979.86	West	Lea

12 Dedicated Acres	13 Joint or Infill	14 Consolidation Code	15 Order No.
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NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

16		<p>¹⁷ OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</i></p> <p>Signature H Scott Davis</p> <p>Printed Name Agent</p> <p>Title</p> <p>Date 9/23/03</p> <p>Date</p>

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AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-025-28287		² Pool Code 33250		³ Pool Name House, Irinkard	
⁴ Property Code		⁵ Property Name L & M			⁶ Well Number 1
⁷ OGRID No. 3659		⁸ Operator Name Capataz Operating, Inc			⁹ Elevation 3580

¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M/N	2	20S	38E		660	South	1320	West	Lea

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
L	2	20S	38E		1444.69	South	927.66	West	Lea

¹² Dedicated Acres	¹³ Joint or Infill	¹⁴ Consolidation Code	¹⁵ Order No.
-------------------------------	-------------------------------	----------------------------------	-------------------------

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION

<p>¹⁶</p>	<p>¹⁷ OPERATOR CERTIFICATION I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.</p> <p><i>[Signature]</i></p> <p>Signature</p> <p>H Scott Davis</p> <p>Printed Name</p> <p>Agent</p> <p>Title</p> <p>9/23/03</p> <p>Date</p>

Federal Lse. No. _____ All distances must be from the outer boundaries of the Section.

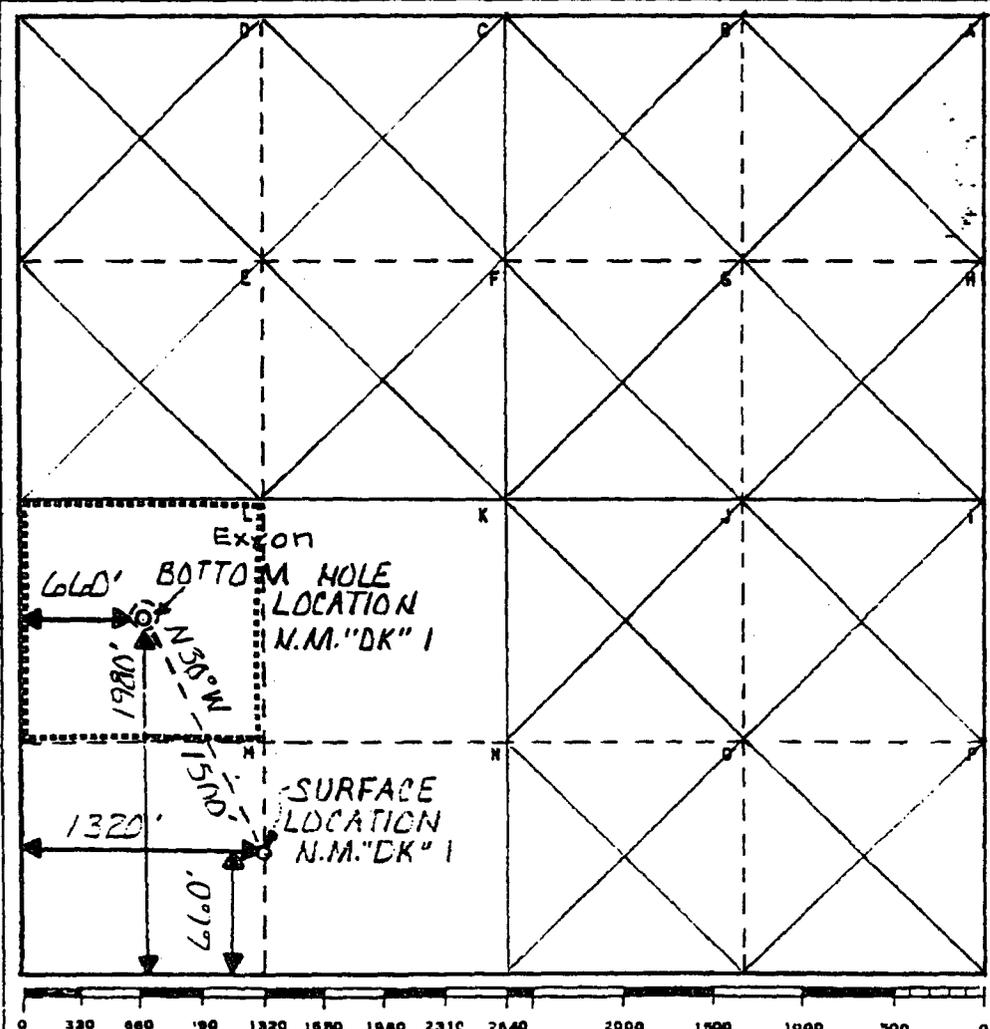
Operator Exxon Corporation		Lease NEW MEXICO "DK" STATE			Well No. 1
Unit Letter SUR - M/N B.H. - L	Section 2	Township 2DS	Range 38E	County LEA	
Actual Footage Location of Well: SUR - 660 B.H. = 1980 feet from the SOUTH line and SUR - 1320 BH 660 feet from the WEST line					
Ground Level Elevation SUR. 3350'	Producing Formation McKEE SAND		Pool WILDCAT	Dedicated Acreage: 40 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

Yes No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Name
Melvin Knippling
 Position
 UNIT HEAD

Company Exxon Corporation
 Box 1600 Midland, Texas

Date
 7-7-53

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision and that the same is true and correct to the best of my knowledge and belief.

6-14-53

Date Surveyed

Registered Professional Engineer and/or Land Surveyor

W. J. Culman

Certificate No.
 6157

1/4 Miles SOUTH of HOBE, New Mexico

C.E. Sec. File No. W-A-2153

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USGS 11 km S of Hobbs, New Mexico, United States 19 Sep 1995



0 |-----| .5Km

0 |-----| .25Mi

Image courtesy of the U.S. Geological Survey
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