

CAPATAZ OPERATING, INC.
P.O. 10549
Midland, Texas 79702
(915)620-8820 (O)
(915)620-8842 (F)
capatazhad@aol.com (e-mail)
FACSIMILE TRANSMITTAL

Date: 3/15/02 Time: _____ No. of pages (including form) _____

To: NMOC Fax No. 505-476-3471

Attention: MR. STOGNER Phone No. _____

Comments: _____

MR. STOGNER,
THE FOLLOWING TRANSMITTAL RELATES
TO NMOC REFERENCE NO. PKRVO-206429949.
I WILL FORWARD HARD COPIES BY MAIL.

THANKS FOR YOUR HELP,
SCOTT DAVIS

Capataz Operating, Inc.
P. O. Drawer 10549
Midland, Texas 79702
(915) 620-8820/fax (915) 620-8842

March 14, 2002

Mr. Michael Stogner
New Mexico Energy, Minerals and Natural Resources Department
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Re: Capataz Operating, Inc.
NMOCD No. pKRVO-206429949
Red Tag #2
K-T20S-R38E, Lea County, NM

Dear Mr. Stogner:

Pursuant to our conversation this date, attached please find the working interest ownership for Section 2, T20S-R38E, Lea County, New Mexico, annotated by quarter section. Additionally, I have enclosed copies of my correspondence to 1) Kaiser- Francis, Operator of the Phillips House State #1 located in Unit N of Section 2, T20S- R38E, and 2) Phillips Petroleum Company, record title owner of State of New Mexico Lease No. B-9652, insofar as it covers the W/2 SW/4, SE/4 SW/4 and NE/4 SE/4 of Section 2, T20S, R38E. Phillips owns a 40% working interest in our Red Tag #1 and no working interest in the Red Tag #2 or in the NW/4 and NE/4 of Section 2. By said correspondence, Capataz Operating, Inc. has notified Kaiser-Francis and Phillips that we are requesting a Rule 104 Exception for our Red Tag #2, and have given them the opportunity to object.

We have recently acquired 3-D seismic data across Section 2, T20S-R38E, and are presently interpreting the data. We are hopeful that this seismic information will enable us to determine how to best develop the NW/4 of Section 2. It is our intent and desire to develop the offset acreage to maximize production and recovery.

Thank you for guiding me through this filing process. I greatly appreciate your patience and direction.

Sincerely,

CAPATAZ OPERATING, INC.

H. Scott Davis

Capataz:HtoStogner

Capataz Operating, Inc.
P. O. Drawer 10549
Midland, Texas 79702
(915) 620-8820/fax (915) 620-8842

March 15, 2002

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Kaiser-Francis Oil Company
P. O. Box 21468
Tulsa, Oklahoma 74121-1468

Attention: Jim Wakefield

Re: Capataz Operating, Inc.
NMOCD Rule 104 Exception Request
Red Tag No.2
Unit K-T20S-R38E
Lea County, New Mexico

Gentlemen:

Capataz Operating, Inc. permitted and drilled the captioned well as a 7800' Abo test in July, 2001. The well was subsequently completed as an Abo formation producer in October, 2001. After stabilizing production from this interval at an average daily rate of 16.5 BO and 78 MCFG per day, Capataz elected to move up the hole and attempt to establish higher rates of production by perforating and stimulating the Blinebry interval. Accordingly, a retrievable bridge plug was set at 6100' with the expectation that the Blinebry and Abo formations would be subsequently downhole commingled. The Blinebry was perforated from 5950' to 6035' and acidized with 6000 gallons of 20% Nefe, load fluids were swabbed back and the well kicked off flowing natural gas. Capataz has stabilized the Blinebry gas production at a daily rate of 1.2 MMCFD.

Capataz Operating, Inc. has requested approval from the New Mexico Oil Conservation Division for an unorthodox gas well location for its Red Tag No. 2 well located 2410 feet from the south line and 2310 feet from the west line of Section 2, Township 20 South, Range 38 East, NMPM, Lea County, New Mexico. The well is a gas well in the Blinebry formation, and the Southwest Quarter of Section 2 is dedicated to the well.

If Kaiser-Francis objects to the location, you must notify the Oil Conservation Division in writing within 20 days from the date of this letter. The Division's address is 1220 South St. Francis Drive, Santa Fe, New Mexico, 87505. Failure to object will preclude Kaiser-Francis from contesting this matter at a later date.

Very truly yours,

CAPATAZ OPERATING, INC.

H. Scott Davis

CapatazTrtoKaiserFrancis

Capataz Operating, Inc.
P. O. Drawer 10549
Midland, Texas 79702
(915) 620-8820/fax (915) 620-8842

March 15, 2002

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Phillips Petroleum Company
4001 Penbrook
Odessa, Texas 79762

Attention: Linda H. Hicks
Land Specialist

Re: Capataz Operating, Inc.
NMOCD Rule 104 Exception Request
Red Tag No.2
Unit K-T20S-R38E
Lea County, New Mexico

Gentlemen:

Capataz Operating, Inc. permitted and drilled the captioned well as a 7800' Abo test in July, 2001. The well was subsequently completed as an Abo formation producer in October, 2001. After stabilizing production from this interval at an average daily rate of 16.5 BO and 78 MCFG per day, Capataz elected to move up the hole and attempt to establish higher rates of production by perforating and stimulating the Blinbry interval. Accordingly, a retrievable bridge plug was set at 6100' with the expectation that the Blinbry and Abo formations would be subsequently downhole commingled. The Blinbry was perforated from 5950' to 6035' and acidized with 6000 gallons of 20% Nefe, load fluids were swabbed back and the well kicked off flowing natural gas. Capataz has stabilized the Blinbry gas production at a daily rate of 1.2 MMCFD.

Capataz Operating, Inc. has requested approval from the New Mexico Oil Conservation Division for an unorthodox gas well location for its Red Tag No. 2 well located 2410 feet from the south line and 2310 feet from the west line of Section 2, Township 20 South, Range 38 East, NMPM, Lea County, New Mexico. The well is a gas well in the Blinbry formation, and the Southwest Quarter of Section 2 is dedicated to the well.

If Phillips Petroleum objects to the location, you must notify the Oil Conservation Division in writing within 20 days from the date of this letter. The Division's address is 1220 South St. Francis Drive, Santa Fe, New Mexico, 87505. Failure to object will preclude Phillips from contesting this matter at a later date.

Very truly yours,

CAPATAZ OPERATING, INC.

H. Scott Davis

Capataz1trtoPhillips

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CAPATAZ OPERATING INC.

LEASE DDI OWNERS REPORT

Section 2-T20S-38E, Lea County, NM
REDTAG #1

LEASE	OWNER INFORMATION	COST DDI	OIL DDI	GAS DDI	INTEREST TYPE
DA951	465-78-1643 H SCOTT DAVIS 911 BEDFORD MIDLAND, TX 79701 682-9955	.04920000	.00000000	.00000000	WORKING INTEREST
DE760	517-50-6819 TIMOTHY A DERNBACH 2900 12TH AVE. NO., #301E BILLINGS, MT 59101	.01240800	.00000000	.00000000	WORKING INTEREST
DU762	585-54-7980 LISA L DURBAN PO BOX 9127 BRECKENRIDGE, CO 80424	.01082400	.00000000	.00000000	WORKING INTEREST
SU760	75-2298083 EUREKA GAS COMPANY, INC P O BOX 4037 MIDLAND, TX 79704 685-3313	.14253000	.00000000	.00000000	WORKING INTEREST
FA762	519-68-9825 JAMES FARNSWORTH DBA FARNSWORTH TRUST 67 E BAFFERT DRIVE NOGALES, AZ 85621	.00514200	.00000000	.00000000	WORKING INTEREST
GA256	461-46-8117 W B ROBBINS III TRUSTEE OF THE KMC TRUST U/A/D 7/29/99 C/O W B ROBBINS III TRUSTEE PO BOX 10428 MIDLAND, TX 79702	.00384000	.00000000	.00000000	WORKING INTEREST
GA257	454-38-4440 W B ROBBINS III TRUSTEE OF THE RSC TRUST U/A/D 9/3/99 C/O W B ROBBINS III, TRUSTEE PO BOX 10428 MIDLAND, TX 79702	.00384000	.00000000	.00000000	WORKING INTEREST
HE614	22-6512924 BESSEMER TRUST COMPANY, TRUSTEE OF THE FRANK M HENRY REVOCABLE LIVING TRUST 630 FIFTH AVENUE NEW YORK, NY 10111 212 708-9137	.01465200	.00000000	.00000000	WORKING INTEREST

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CAPATAZ OPERATING INC.

LEASE DDI OWNERS REPORT

LEASE	OWNER INFORMATION	COST DDI	OIL DDI	GAS DDI	INTEREST TYPE
JO416	525-89-6206 S P JOHNSON, III AND BARBARA JO JOHNSON, TRUSTEES U/A/D 1-24-85 PO BOX 1641 ROSWELL, NM 88202	.01924600	.00000000	.00000000	WORKING INTEREST
JT250	75-2354923 JTD RESOURCES, LLC P O BOX 3422 MIDLAND, TX 79702	.10680000	.00000000	.00000000	WORKING INTEREST
LE631	525-62-3082 TIMOTHY T LEONARD P O BOX 2625 EAGLE PASS, TX 78853 210 773-5610	.01617000	.00000000	.00000000	WORKING INTEREST
LE632	226-74-1518 DAN M LEONARD P O BOX 3422 MIDLAND, TX 79702	.02241600	.00000000	.00000000	WORKING INTEREST
LE633	585-14-5422 ROBERT K LEONARD PO BOX 332 MIDLAND, TX 79702	.01791600	.00000000	.00000000	WORKING INTEREST
LE637	450-98-0676 KEVIN K LEONARD PO BOX 50642 MIDLAND, TX 79710-0642 699-0724	.00750000	.00000000	.00000000	WORKING INTEREST
ME570	510-14-2230 L S MELZER P O BOX 2083 MIDLAND, TX 79702	.01216800	.00000000	.00000000	WORKING INTEREST
ME572	MELZER OPERATING	.03706200	.00000000	.00000000	WORKING INTEREST
MO760	528-26-9368 MORGAN TRUST 67 E BAFFERT DRIVE NOGALES, AZ 85621 520 381-1778	.05212200	.00000000	.00000000	WORKING INTEREST

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CAPATAZ OPERATING INC.

LEASE DDI OWNERS REPORT

LEASE	OWNER INFORMATION	COST DDI	OIL DDI	GAS DDI	INTEREST TYPE
MO762 527-54-1022 MAURICE MORDKA 1800 N GRADY TUCSON, AZ 85715		.00954000	.00000000	.00000000	WORKING INTEREST
PH433 73-0400345 PHILLIPS PETROLEUM COMPANY SHARED PAYABLES/PARTNER OPERATED SERVICES 1060 PLAZA OFFICE BLDG BARTLESVILLE, OK 74004 918 651-6600		.40000000	.00000000	.00000000	WORKING INTEREST
PJ232 85-0428205 PJC LIMITED PARTNERSHIP, PATRICIA J COOPER, GENERAL PARTNER P O BOX 1713 ROSWELL, NM 88202 505 202-6610		.03860400	.00000000	.00000000	WORKING INTEREST
9A610 75-2583791 SANDELYN, INC PO BOX 4037 MIDLAND, TX 79704 685-3313		.00600000	.00000000	.00000000	WORKING INTEREST
W0761 85-0381523 MORRALL INVESTMENT CORP. PO BOX 2105 ROSWELL, NM 88202-2105		.01200000	.00000000	.00000000	WORKING INTEREST

RPT DATE Friday March 15, 2002 8:12 AM

CAPATAZ OPERATING INC.

LEASE DDI OWNERS REPORT

NW/4, Section 2, T20S-R38E, Lea County, NM

LEASE	OWNER INFORMATION	COST DDI	OIL DDI	GAS DDI	INTEREST TYPE
DA951	465-78-1643 H SCOTT DAVIS 911 BEDFORD MIDLAND, TX 79701 682-9955	.08200000	.00000000	.00000000	WORKING INTEREST
DE760	517-50-6819 TIMOTHY A DERNBACH 2900 12TH AVE. NO., #3018 BILLINGS, MT 59101	.02068000	.00000000	.00000000	WORKING INTEREST
DU762	585-54-7980 LISA L DURMAN PO BOX 9127 BRECKENRIDGE, CO 80424	.01804000	.00000000	.00000000	WORKING INTEREST
DU760	75-2298083 EUREKA GAS COMPANY, INC P O BOX 4037 MIDLAND, TX 79704 685-3313	.21755000	.00000000	.00000000	WORKING INTEREST
FA762	519-68-9825 JAMES FARNSWORTH DRA FARNSWORTH TRUST 67 E BAFFERT DRIVE NOGALES, AZ 85621	.00857000	.00000000	.00000000	WORKING INTEREST
GA256	461-46-8117 W B ROBBINS III TRUSTEE OF THE KMC TRUST U/A/D 7/29/99 C/O W B ROBBINS III TRUSTEE PO BOX 10428 MIDLAND, TX 79702	.00640000	.00000000	.00000000	WORKING INTEREST
GA257	454-38-4440 W B ROBBINS III TRUSTEE OF THE RSG TRUST U/A/D 9/3/99 C/O W B ROBBINS III, TRUSTEE PO BOX 10428 MIDLAND, TX 79702	.00640000	.00000000	.00000000	WORKING INTEREST
HE614	22-6512924 BESSMER TRUST COMPANY, TRUSTEE OF THE FRANK M HENRY REVOCABLE LIVING TRUST 630 FIFTH AVENUE NEW YORK, NY 10111 212 708-9137	.02442000	.00000000	.00000000	WORKING INTEREST

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CAPATAZ OPERATING INC.

LEASE DDI OWNERS REPORT

LEASE	OWNER INFORMATION	COST DDI	OIL DDI	GAS DDI	INTEREST TYPE
JD416	525-88-6206 E P JOHNSON, III AND BARBARA JO JOHNSON, TRUSTEES U/A/D 1-24-85 PO BOX 1641 ROSWELL, NM 88202	.01211000	.00000000	.00000000	WORKING INTEREST
JT250	75-2354923 JTD RESOURCES, LLC P O BOX 1422 MIDLAND, TX 79702	.15800000	.00000000	.00000000	WORKING INTEREST
LE631	525-62-1082 TIMOTHY T LEONARD P O BOX 3425 EAGLE PASS, TX 78853 210 773-5610	.02000000	.00000000	.00000000	WORKING INTEREST
LE632	226-74-1518 DAN M LEONARD P O BOX 3422 MIDLAND, TX 79702	.03041000	.00000000	.00000000	WORKING INTEREST
LE633	585-14-5422 ROBERT K LEONARD PO BOX 332 MIDLAND, TX 79702	.02291000	.00000000	.00000000	WORKING INTEREST
LE637	450-98-0676 KEVIN K LEONARD PO BOX 50642 MIDLAND, TX 79710-0642 699-0724	.01250000	.00000000	.00000000	WORKING INTEREST
ME570	510-14-2230 L S MELZER P O BOX 2083 MIDLAND, TX 79702	.02028000	.00000000	.00000000	WORKING INTEREST
ME572	MELZER OPERATING	.06177000	.00000000	.00000000	WORKING INTEREST
MO760	528-26-9368 MORGAN TRUST 67 E BAFFERT DRIVE NOGALKE, AZ 85621 520 281-1778	.08687000	.00000000	.00000000	WORKING INTEREST

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CAPATAZ OPERATING INC.

L E A S E D D I O W N E R S R E P O R T

LEASE	OWNER INFORMATION	COST DDI	OIL DDI	GAS DDI	INTEREST TYPE
	MO762 527-54-1022 MAURICE MORDKA 1800 N GRADY TUCSON, AZ 85715	.01590000	.00000000	.00000000	WORKING INTEREST
	PJ232 85-0428205 PJC LIMITED PARTNERSHIP, PATRICIA J COOPER, GENERAL PARTNER P O BOX 1713 ROSWELL, NM 88202 505 202-6610	.06434000	.00000000	.00000000	WORKING INTEREST
	SA610 75-2583791 SANDELY, INC PO BOX 4037 MIDLAND, TX 79704 685-3311	.01000000	.00000000	.00000000	WORKING INTEREST
	SE112 454-27-5926 MARY HUDSON SEAY PO BOX 5941 MIDLAND, TX 79704 682-8319	.01095000	.00000000	.00000000	WORKING INTEREST
	TH270 525-36-3180 THE LEONARD TRUST P O BOX 400 ROSWELL, NM 88202 505 623-0234	.03800000	.00000000	.00000000	WORKING INTEREST
	WO761 85-0381523 WORRALL INVESTMENT CORP. PO BOX 2105 ROSWELL, NM 88202-2105	.02000000	.00000000	.00000000	WORKING INTEREST

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CAPATAZ OPERATING INC.

LEASE DDI OWNERS REPORT

NE/4, Section 2, T20S-R38E, Lea County, NM

LEASE	OWNER INFORMATION	COST DDI	OIL DDI	GAS DDI	INTEREST TYPE
DA951	465-78-1643 M SCOTT DAVIS 911 BEDFORD MIDLAND, TX 79701 682-9955	.08200000	.00000000	.00000000	WORKING INTEREST
DE760	517-50-6819 TIMOTHY A DERNBACH 2900 12TH AVE. NO., #301E BILLINGS, MT 59101	.02068000	.00000000	.00000000	WORKING INTEREST
DU762	505-54-7980 LISA L DURBAN PO BOX 9127 BRECKENRIDGE, CO 80424	.01804000	.00000000	.00000000	WORKING INTEREST
KU760	75-2298083 EUREKA GAS COMPANY, INC P O BOX 4037 MIDLAND, TX 79704 685-1313	.21755000	.00000000	.00000000	WORKING INTEREST
FA762	519-68-9825 JAMES FARNSWORTH DBA FARNSWORTH TRUST 67 E BAFFERT DRIVE NOGALES, AZ 85621	.00857000	.00000000	.00000000	WORKING INTEREST
GA256	461-46-8117 W B ROBBINS III TRUSTEE OF THE KMC TRUST U/A/D 7/29/99 C/O W B ROBBINS III TRUSTEE PO BOX 10428 MIDLAND, TX 79702	.00640000	.00000000	.00000000	WORKING INTEREST
GA257	454-38-4440 W B ROBBINS III TRUSTEE OF THE REG TRUST U/A/D 9/3/99 C/O W B ROBBINS III, TRUSTEE PO BOX 10428 MIDLAND, TX 79702	.00640000	.00000000	.00000000	WORKING INTEREST
HE614	22-6512924 BESSEMER TRUST COMPANY, TRUSTEE OF THE FRANK M HENRY REVOCABLE LIVING TRUST 610 FIFTH AVENUE NEW YORK, NY 10111 212 708-9137	.02442000	.00000000	.00000000	WORKING INTEREST

CAPATAZ OPERATING INC.

LEASE DDI OWNERS REPORT

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	JO416 525-88-6206 S P JOHNSON, III AND BARBAR JO JOHNSON, TRUSTEES U/A/D 1-24-85 PO BOX 1641 ROSWELL, NM 88202	.03211000	.00000000	.00000000	WORKING INTEREST
	JT250 75-2354923 JTD RESOURCES, LLC P O BOX 3422 MIDLAND, TX 79702	.15800000	.00000000	.00000000	WORKING INTEREST
	LE631 525-62-3082 TIMOTHY T LEONARD P O BOX 2625 EAGLE PASS, TX 78853 210 773-5610	.02000000	.00000000	.00000000	WORKING INTEREST
	LE632 226-74-1518 DAN M LEONARD P O BOX 3422 MIDLAND, TX 79702	.03041000	.00000000	.00000000	WORKING INTEREST
	LE633 585-14-5422 ROBERT K LEONARD PO BOX 332 MIDLAND, TX 79702	.02291000	.00000000	.00000000	WORKING INTEREST
	LE637 450-98-0676 KEVIN K LEONARD PO BOX 50642 MIDLAND, TX 79710-0642 699-0724	.01250000	.00000000	.00000000	WORKING INTEREST
	ME570 510-14-2230 L S MELZER P O BOX 2083 MIDLAND, TX 79702	.02028000	.00000000	.00000000	WORKING INTEREST
	ME572 MELZER OPERATING	.06177000	.00000000	.00000000	WORKING INTEREST
	MO760 528-26-9368 MORAN TRUST 67 E BAFFERT DRIVE NOGALES, AZ 85621 520 291-1778	.08687000	.00000000	.00000000	WORKING INTEREST

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PJ232	85-0428205 PJC LIMITED PARTNERSHIP, PATRICIA J COOPER, GENERAL PARTNER P O BOX 1713 ROSWELL, NM 88202 505 202-6610	.06434000	.00000000	.00000000	WORKING INTEREST
SA610	75-2583791 SANDFLY, INC PO BOX 4037 MIDLAND, TX 79704 685-3313	.01000000	.00000000	.00000000	WORKING INTEREST
SE112	454-27-5926 MARY HUDSON GRAY PO BOX 5941 MIDLAND, TX 79704 682-0319	.03085000	.00000000	.00000000	WORKING INTEREST
TH270	525-36-3180 THE LEONARD TRUST P O BOX 400 ROSWELL, NM 88202 505 623-0234	.03000000	.00000000	.00000000	WORKING INTEREST
WO761	85-03A1523 MORRALL INVESTMENT CORP. PO BOX 2105 ROSWELL, NM 88202-2105	.02000000	.00000000	.00000000	WORKING INTEREST