



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

December 27, 2006

H. Scott Davis, President
Capataz Operating, Inc.
P.O. Drawer 10549
Midland, Texas 79702

RE: **Roitan No. 1 (API # 30-025-34735)**
1650 feet FNL & 1650 feet FEL Unit G

Chesterfield No. 1 (API # 30-025-34420)
2200 feet FNL & 660 feet FEL Unit H

All in Sec. 14, R-20-S, T-37-E, Lea County, NM

Administrative Order NSL-5539
NSP-1910

Dear Mr. Davis:

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS0-629841403 for non-standard location [NSL], and pTDS0634138205 for non-standard proration unit [NSP]**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on November 27, 2006; and

(b) the Division's records pertinent to Capataz's request.

Capataz requests to produce its Roitan No. 1, and Chesterfield No. 1 both at unorthodox Blinebry Oil & Gas (Gas) location in Units G and H respectively of Section 14, Township 20 South, Range 37 East, N.M.P.M., in Lea County, New Mexico. The SW/4NE/4 will be dedicated to Roitan #1 and the SE/4NE/4 will be dedicated to Chesterfield #1 both in Section 14 to form a non-standard 40-acre gas spacing and proration unit in the Blinebry Oil & Gas Pool. Capataz also requests approval of these non-standard gas spacing and proration units. The Blinebry Oil & Gas pool is governed by Division Rule 104.C (3), which provide that:

(a) a unit shall consist of 160 acres, more or less, consisting of the NE/4, NW/4, SE/4 or SW/4 of a governmental section; and

(b) a well shall be located no closer than 660 feet to any outer boundary of such unit and no closer than 10 feet to any quarter-quarter section or subdivision inner boundary.

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

It is our understanding that the two wells were initially drilled at standard oil well locations in the Blinebry Oil & Gas pool. Currently, the wells are producing only gas and little or no oil. Consequently, the District Office in Hobbs reclassified the wells from oil to gas wells. The reclassification made the locations of the well unorthodox with respect to Division Rule 104.C (3)

It is also our understanding that the wells drilled in the Blinebry Oil & Gas Pool in this area is too tight to effectively drain more than 40 acres, therefore the need to dedicate the 40-acre units to each well instead of the 160-acre gas spacing and proration units as provided in Rule 104.C

Pursuant to the authority granted under the provisions of Division Rules 104.D(2)(b), and 104.F(2), the above-described non-standard 40-acre gas spacing and proration unit, and the above-described unorthodox Blinebry Oil & Gas locations are 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/re

cc: New Mexico Oil Conservation Division - Hobbs