

Submit 3 Copies To Appropriate District Office

State of New Mexico

Form C-103

Energy, Minerals and Natural Resources

May 27, 2004

District I 1625 N. French Dr., Hobbs, NM 88240
District II 1301 W. Grand Ave., Artesia, NM 88210
District III 1000 Rio Brazos Rd., Aztec, NM 87410
District IV 1220 S. St. Francis Dr., Santa Fe, NM 87505

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO. 30-025-35333
5. Indicate Type of Lease STATE [X] FFE []
6. State Oil & Gas Lease No.
7. Lease Name or Unit Agreement Name RED TAG
8. Well Number 1
9. OGRID Number 33650
10. Pool name or V/locat House: Tubb, H Drinkard,

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH PROPOSALS.)

1. Type of Well: Oil Well [X] Gas Well [] Other []

2. Name of Operator Capataz Operating, Inc.

3. Address of Operator P.O. Box 10549, Midland, TX 79702

4. Well Location Unit Letter J : 2460 feet from the South line and 2310 feet from the East line Section 2 Township 20S Range 38E NMPM County Lea

11. Elevation (Show whether DR, RKB, RT, GR, etc.) 3566' GR

Pit or Below-grade Tank Application [] or Closure []

Pit type _____ Depth to Groundwater _____ Distance from nearest fresh water well _____ Distance from nearest surface water _____

Pit Liner Thickness: mft Below-Grade Tank: Volume bbls; Construction Material _____

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:
PERFORM REMEDIAL WORK [] PLUG AND ABANDON []
TEMPORARILY ABANDON [] CHANGE PLANS []
PULL OR ALTER CASING [] MULTIPLE COMPL []

SUBSEQUENT REPORT OF:
REMEDIAL WORK [] ALTERING CASING []
COMMENCE DRILLING OPNS. [] P AND A []
CASING/CEMENT JOB []

OTHER: [] OTHER: DHC Tubb, Drinkard [X]

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

Pool Names: House; Tubb (78760), House; Drinkard (33250)

TUBB 6746-50,65-67 & 6775-77' 1 jspf
DRINKARD 7003-08 & 7050-56' 1 jspf

The allocation method will be as follows: Test 11 BO x 16 MCF x 110 BW
Oil Alloc% Gas Alloc% Wtr Alloc%

Table with 2 rows (Tubb, Drinkard) and 6 columns (Oil Alloc%, Gas Alloc%, Wtr Alloc%, and two unlabeled columns). Values range from 10 to 91.

Downhole commingling will not reduce the value of the pools.
Ownership is the same for each of these pools.

DHC Order No. HOB-0179

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines [], a general permit [] or an (attached) alternative: C CD-approved plan [].

SIGNATURE [Signature] TITLE Agent DATE 07/6/2006

Type or print name H. Scott Davis E-mail address: Capataz1@sbcglobal.net Telephone No. (432)620-8820

For State Use Only

APPROVED BY: Chris Williams OF DISTRICT SUPERVISOR/GENERAL MANAGER DATE JAN 04 2007

Conditions of Approval (if any):