

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

N.M. Oil Cons. DIV-Dist. 2
1301 W Grand Avenue
Artesia, NM 88210

FORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000

SUNDRY NOTICES AND REPORTS
Do not use this form for proposals to drill or to re-enter an
abandoned well. Use Form 3160-3 (APD) for such proposals.

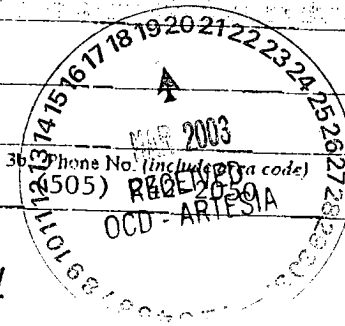
SUBMIT IN TRIPLICATE - Other instructions on reverse side

1. Type of Well
 Oil Well Gas Well Other

2. Name of Operator
 Jalapeno Corporation

3a. Address
 P.O. Box 1608, Albuquerque, NM 87103

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)
 330' FSL & 990' FWL
 Sec. 7, T-09S, R-28E LOT 4



5. Lease Serial No.
 NMNM 12557

6. If Indian, Allottee or Tribe Name

7. If Unit or CA/Agreement, Name and/or No.

8. Well Name and No.
 Duncan Federal #2

9. API Well No.
 30-005-62235

10. Field and Pool, or Exploratory Area
 Wolf Lake San Andres, South

11. County or Parish, State
 Chaves County, NM

12. CHECK APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT, OR OTHER DATA

| TYPE OF SUBMISSION | TYPE OF ACTION | | |
|---|---|---|--|
| <input type="checkbox"/> Notice of Intent | <input type="checkbox"/> Acidize | <input type="checkbox"/> Deepen | <input type="checkbox"/> Production (Start/Resume) |
| <input checked="" type="checkbox"/> Subsequent Report | <input type="checkbox"/> Alter Casing | <input type="checkbox"/> Fracture Treat | <input type="checkbox"/> Reclamation |
| <input type="checkbox"/> Final Abandonment Notice | <input type="checkbox"/> Casing Repair | <input type="checkbox"/> New Construction | <input type="checkbox"/> Recomplete |
| | <input type="checkbox"/> Change Plans | <input type="checkbox"/> Plug and Abandon | <input type="checkbox"/> Temporarily Abandon |
| | <input type="checkbox"/> Convert to Injection | <input type="checkbox"/> Plug Back | <input type="checkbox"/> Water Disposal |
| | | | <input type="checkbox"/> Water Shut-Off |
| | | | <input type="checkbox"/> Well Integrity |
| | | | <input checked="" type="checkbox"/> Other Surfactant - Water treatment & Hot Oil treatment |

13. Describe Proposed or Completed Operation (clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recomplete horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BLA. Required subsequent reports shall be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompletion in a new interval, a Form 3160-4 shall be filed once testing has been completed. Final Abandonment Notices shall be filed only after all requirements, including reclamation, have been completed, and the operator has determined that the site is ready for final inspection.)

Following treatment of 11/11/02 (previously reported), well had an emulsion-block problem. Thus, on 1/21/03, we pumped 500 gallons of surfactant-treated water into formation. The treatment did not solve the emulsion problem. Therefore, on 1/23/03, we had hot oiler heat 50 Bbls of produced lease oil from production tank to 250°F & pump the oil down into the formation. The well was then swabbed & put back on production.

ACCEPTED FOR RECORD

MAR 18 2003

ARMANDO A. LOPEZ
 PETROLEUM ENGINEER

14. I hereby certify that the foregoing is true and correct

Name (Printed/Typed)

Harvey E. Yates, Jr.

Title President

Signature

Date 2/18/03

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

Title

Date

Office

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.