

Jones, William V., EMNRD

From: Harvey Yates [petroyates@msn.com]
Sent: Tuesday, May 22, 2012 5:59 PM
To: Jones, William V., EMNRD
Subject: Water disposal well: Louise Yates State #4

Mr. Jones:

Thanks for taking my call this morning related to the water disposal well: Louise Yates State # 4 located in the Wolfe Lake-South, San Andres Field (Sec. 7 of T. 9S; R. 28E.)

At the time this well was permitted as a disposal well well we had hoped to put away at least 200 bbl of water into the Slaughter zone of the San Andres Formation. (See paragraph VII. of the C-108 filed Feb. 2003) Unfortunately, the well has not lived up to our expectations--in all likelihood because we did not perforate it sufficiently in permeable zones.

After re-examining the logs we have decided to request permission to carry out the procedures explained below in order to cause the well to take more formation water. We want to emphasize that the water which will be put into the disposal well will continue to be from wells operated by Jalapeno Corporation which are producing from the Slaughter Zone of the San Andres. It should also be noted that the San Andres Formation, of which the Slaughter is a member, continues above the top of the Slaughter more than 600 feet and below the Slaughter approximately 500 feet. Thus, contamination of another formation by the disposed water is extremely unlikely.

PROPOSED PROCEDURE

The present tension packer in the hole would be removed along with the tubing. The shoe joint in the well would be drilled out down to 2415 which was Schlumberger's estimated TD of the well. KB was 8 ft. This would uncover the most permeable zones in the Slaughter. The well would then be perforated as follows:

- 2288 - 2295; 2362 - 2366; 2390 - 2402;
- The above intervals would be shot every 1/2 ft.

The well would then be acidized to open the perforations and the permeable zone below the casing down to 2,415. To do this we would use approximately 3,000 gal. of 20% HCL.

The tension packer would then be replaced to its present location and the well would be placed back into use as a disposal well.

Because the zone being affected is the Slaughter which was permitted in our original C-108, we are not clear whether we need to file an additional C-108 or supplemental paperwork in order to perform the above procedure on the well. We would appreciate your guidance on this.

Regards,
Harvey E. Yates, Jr.
for Jalapeno Corporation