

NSL-GAS. N71

August 19, 1999

Rec: 7-28-99
Susp: 8-17-99
Released: 8-19-99

K.C.S. Medallion Resources, Inc.
c/o James Bruce
P. O. Box 1056
Santa Fe, New Mexico 87504

Telefax No. (505) 982-2151

Administrative Order NSL-~~*****~~6 ⁴³⁴⁵

Dear Mr. Bruce:

Reference is made to your application dated July 28, 1999 on behalf of the operator, K.C.S. Medallion Resources, Inc., for its proposed Buffalo Federal Com. Well No. 1 to be drilled at an unorthodox Morrow gas well location 660 feet from the South and West lines (Unit M) of Section 9, Township 19 South, Range 33 East, NMPM, Lea County, New Mexico.

The S/2 of Section 9, being a standard 320-acre lay-down gas spacing and proration unit for the Buffalo-Pennsylvanian Gas Pool, is to be dedicated to this well.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the Morrow "C" Sand than a well drilled at a location considered to be standard within the SW/4 of Section 9.

This application has been duly filed under the provisions of New Mexico Oil Conservation Division ("Division") Rule 104.F.

By the authority granted me under the provisions of Division Order No. R-5850, issued in Case No. 6361 and dated November 14, 1978, and Division Rule 104.F(2), the above-described unorthodox gas well location is hereby approved.

Sincerely,

Lori Wrotenbery
Director

LW/MES/kv

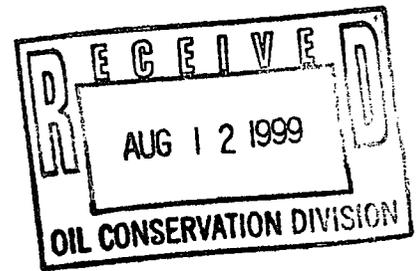
cc: New Mexico Oil Conservation Division - Hobbs
U. S. Bureau of Land Management - Carlsbad

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)



August 12, 1999

Hand Delivered

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Re: Application for administrative approval of an unorthodox
gas well location:

Buffalo Fed. Com. Well No. 1
S½ §9, Township 19 South, Range 33 East, NMPM
Lea County, New Mexico

Operator: KCS Medallion Resources, Inc.

Dear Mr. Stogner:

The above application was filed on July 28, 1999. Enclosed as
Exhibit A is the Form C-102 for the well.

Very truly yours,

A handwritten signature in cursive script that reads "James Bruce".

James Bruce

Attorney for KCS Medallion
Resources, Inc.

DISTRICT I

P.O. Box 1088, Hobbs, NM 88241-1088

DISTRICT II

P.O. Drawer DD, Artesia, NM 88211-0719

DISTRICT III

1000 Rio Brazos Rd., Artesia, NM 87410

DISTRICT IV

P.O. BOX 2088, SANTA FE, N.M. 87504-2088

State of New Mexico

Energy, Minerals and Natural Resources Department

Form C-102

Revised February 10, 1994

Submit to Appropriate District Office

State Lease - 4 Copies

Fee Lease - 3 Copies

OIL CONSERVATION DIVISION

P.O. Box 2088

Santa Fe, New Mexico 87504-2088

AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number	Pool Code	Pool Name
Property Code	Property Name BUFFALO PROSPECT	Well Number
OGNM No.	Operator Name KCS MEDALLION RESOURCES, INC.	Elevation 3667

Surface Location

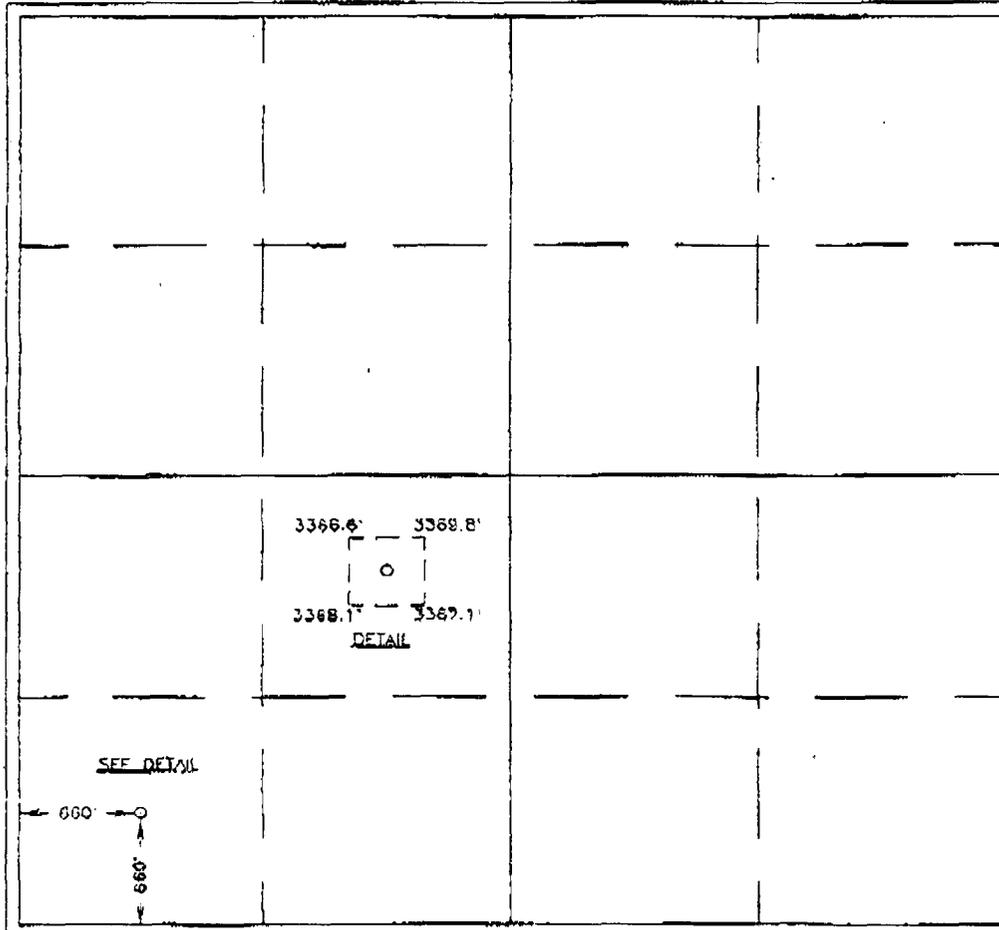
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	9	19 S	33 E		660	SOUTH	660	WEST	LEA

Bottom Hole Location if Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County

Dedicated Acres	Joint or Infill	Consolidation Code	Order No.

NO ALLOWABLE WILL BE ASSIGNED TO THIS COMPLETION UNTIL ALL INTERESTS HAVE BEEN CONSOLIDATED OR A NON-STANDARD UNIT HAS BEEN APPROVED BY THE DIVISION



OPERATOR CERTIFICATION

I hereby certify the data information contained herein is true and complete to the best of my knowledge and belief.

Signature

Printed Name

Title

Date

SURVEYOR CERTIFICATION

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.

JULY 28, 1999

Date Signed _____ DMCC

Signature GUYTON G. EIDSON

Professional Surveyor

NEW MEXICO

08/10/99

99-1-082

License No. RONALD EIDSON 3230
GUYTON G. EIDSON 12641
MCDONALD 12185



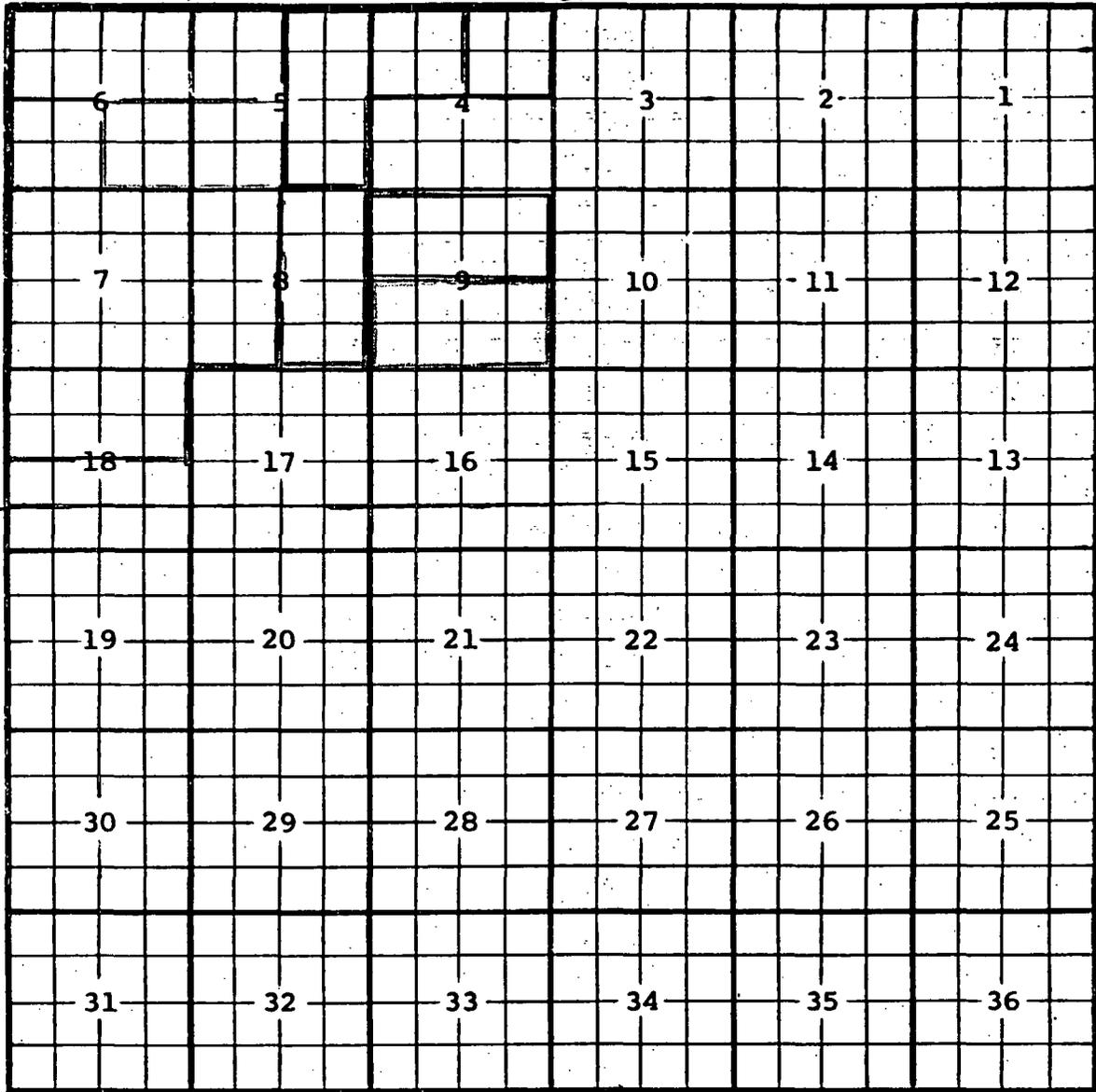
COUNTY Lea

POOL Buffalo - Pennsylvanian Gas

TOWNSHIP 19 South

RANGE 33 East

NMPM



Description: NE¹/₄ Sec. 4 (R-1559, 1-1-60)

Ext: NW¹/₄ Sec. 4; E¹/₂ Sec. 5 (R-2620, 1-1-64) Ext: SW¹/₄ Sec 5, -
- SE¹/₄ Sec 6 (R-5781, 9-1-78)

Ext. NW¹/₄ Sec 5, N¹/₂ Sec 6 (R-6033, 7-1-79)

Ext: SW¹/₄ Sec. 6, All Sec. 7, W¹/₂ Sec. 8, N¹/₂ Sec. 18 (R-6449, 9-1-80)

Ext: E¹/₂ Sec. 8 (R-6476, 10-1-80) Ext: N¹/₂ Sec. 9 (R-6967, 5-6-82)

Ext: Sec: 9, S¹/₂ (R-7114, 10-19-82)

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

08/19/99 10:47:53
OGOMES -TP1C
PAGE NO: 1

Sec : 09 Twp : 19S Rng : 33E Section Type : NORMAL

D 40.00 Federal owned	C 40.00 Federal owned	B 40.00 Federal owned	A 40.00 Federal owned
E 40.00 Federal owned	F 40.00 Federal owned	G 40.00 Federal owned A	H 40.00 Federal owned

PF01 HELP PF02 PF03 EXIT PF04 GoTo PF05 PF06
PF07 BKWD PF08 FWD PF09 PRINT PF10 SDIV PF11 PF12

CMD :
OG5SECT

ONGARD
INQUIRE LAND BY SECTION

08/19/99 10:46:59
OGOMES -TP1C
PAGE NO: 2

Sec : 09 Twp : 19S Rng : 33E Section Type : NORMAL

L 40.00 Federal owned	K 40.00 Federal owned A	J 40.00 Federal owned	I 40.00 Federal owned
M 40.00 Federal owned	N 40.00 Federal owned	O 40.00 Federal owned	P 40.00 Federal owned

PF01 HELP
PF07 BKWD

PF02
PF08 FWD

PF03 EXIT
PF09 PRINT

PF04 GoTo
PF10 SDIV

PF05
PF11

PF06
PF12

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 6361
Order No. R-5850

APPLICATION OF CONTINENTAL OIL
COMPANY FOR SPECIAL POOL RULES,
LEA COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on October 25, 1978, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 14th day of November, 1978, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Continental Oil Company, is the owner and operator of a certain gas well in the Buffalo-Pennsylvanian Gas Pool, Lea County, New Mexico.
- (3) That said Buffalo-Pennsylvanian Gas Pool was created and designated by the Division by Order No. R-1559, effective December 18, 1959.
- (4) That by Division Order No. R-2707, dated May 25, 1964, Rule 104 of the Division Rules and Regulations was amended to provide that all gas pools of Pennsylvanian age or older in Southeast New Mexico which were created and defined June 1, 1964, or later shall have 320-acre spacing and proration units, inasmuch as it was found that in Southeast New Mexico, "...a gas well completed in the Pennsylvanian formation or a deeper formation will efficiently and economically drain and develop a 320-acre tract."

(5) That the applicant in the instant case seeks the promulgation of rules including a provision for 320-acre spacing for the Buffalo-Pennsylvanian Gas Pool in Lea County, New Mexico, inasmuch as that pool was excluded from the provisions of Order No. R-2707, because it was created and defined prior to the cut-off date of June 1, 1964.

(6) That no appearances were made at the hearing of the instant case, and no objection was received to the inclusion of the Buffalo-Pennsylvanian Gas Pool under the provisions of Rule 104 of the Division Rules and Regulations for gas pools of Pennsylvanian age or older.

(7) That one well in the Buffalo-Pennsylvanian Gas Pool in Lea County, New Mexico, will efficiently and economically drain and develop 320 acres, and the inclusion of said pool under the 320-acre provisions of Rule 104 for pools of Pennsylvanian age or older will not cause waste nor violate correlative rights, and should be approved.

IT IS THEREFORE ORDERED:

(1) That effective November 1, 1978, each well completed or recompleted in the Buffalo-Pennsylvanian Gas Pool or in the Pennsylvanian formation within one mile thereof shall be subject to the provisions of Rule 104 of the Division Rules and Regulations notwithstanding the fact said pool was created and defined prior to June 1, 1964.

IT IS FURTHER ORDERED:

(1) That the locations of all wells presently drilling to or completed in the Buffalo-Pennsylvanian Gas Pool or in the Pennsylvanian formation within one mile thereof are hereby approved; that the operator of any well having an unorthodox location shall notify the Hobbs District Office of the Division in writing of the name and location of the well by December 1, 1978.

(2) That pursuant to Paragraph A. of Section 65-3-14.5, NMSA 1953, existing wells in the Buffalo-Pennsylvanian Gas Pool shall have dedicated thereto 320 acres in accordance with Rule 104 of the Division Rules and Regulations; or pursuant to Paragraph C. of said Section 65-3-14.5, existing wells may have non-standard units dedicated thereto.

-3-

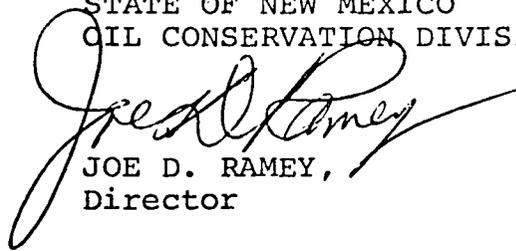
Case No. 6361
Order No. R-5850

Failure to file new Forms C-102 with the Division dedicating 320 acres to a well or to obtain a non-standard unit approved by the Division within 60 days from the effective date of this order shall subject the well to cancellation of allowable.

(3) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year herein-above designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION



Handwritten signature of Joe D. Ramey in cursive script, overlapping the typed name below.

JOE D. RAMEY,
Director

S E A L

dr/

7/28/98

8/17/99

MS

RW

NSL

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
- Engineering Bureau -

ADMINISTRATIVE APPLICATION COVERSHEET

THIS COVERSHEET IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS

Application Acronyms:

- [NSP-Non-Standard Proration Unit] [NSL-Non-Standard Location]
- [DD-Directional Drilling] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

[1] TYPE OF APPLICATION - Check Those Which Apply for [A]

- [A] Location - Spacing Unit - Directional Drilling
- NSL NSP DD SD

JUL 28 1999

Check One Only for [B] or [C]

- [B] Commingling - Storage - Measurement
- DHC CTB PLC PC OLS OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
- WFX PMX SWD IPI EOR PPR

[2] NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply

- [A] Working, Royalty or Overriding Royalty Interest Owners
- [B] Offset Operators, Leaseholders or Surface Owner
- [C] Application is One Which Requires Published Legal Notice
- [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F] Waivers are Attached

[3] INFORMATION / DATA SUBMITTED IS COMPLETE - Statement of Understanding

I hereby certify that I, or personnel under my supervision, have read and complied with all applicable Rules and Regulations of the Oil Conservation Division. Further, I assert that the attached application for administrative approval is accurate and complete to the best of my knowledge and where applicable, verify that all interest (WI, RI, ORRI) is common. I further verify that all applicable API Numbers are included. I understand that any omission of data, information or notification is cause to have the application package returned with no action taken.

JAMES BRUCE
P.O. BOX 1056
SANTA FE, NM 87504

Note: Statement must be completed by an individual with supervisory capacity.

James Bruce
Signature

Attorney for Applicant
Title

7/28/99
Date

Print or Type Name

JAMES BRUCE
ATTORNEY AT LAW

POST OFFICE BOX 1056
SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

July 28, 1999

Hand Delivered

Michael E. Stogner
Oil Conservation Division
2040 South Pacheco Street
Santa Fe, New Mexico 87505

Dear Mr. Stogner:

Pursuant to Division Rule 104.F.(2), KCS Medallion Resources, Inc. ("KCS") applies for administrative approval of an unorthodox gas well location for the following well:

Buffalo Fed. Com. Well No. 1
660 feet FSL & 660 feet FWL
S $\frac{1}{2}$ §9, Township 19 South, Range 33 East, NMPM
Lea County, New Mexico

The well will be drilled to approximately 13,700 feet, to test the Morrow formation (Buffalo Pennsylvanian-Gas Pool). Under Order No. R-5850, the pool is developed on statewide rules: Well spacing is 320 acres, with wells to be located no closer than 1650 feet to the end line and 660 feet to the side line of the unit. (A Form C-102 is being prepared, and will be submitted later as Exhibit A.)

Attached as Exhibit B is a net isopach map of the Morrow "C" sand. The general trend of the Morrow in this area is north-northwest/south-southeast. There are two wells in Section 9 (in the SE $\frac{1}{4}$ NW $\frac{1}{4}$ and NE $\frac{1}{4}$ SW $\frac{1}{4}$) which encountered zero feet of net sand. Thus, the well needs to be moved west of an orthodox location in order to ensure it will encounter the Morrow "C" sand. KCS believes the well will encounter approximately 10 feet of net sand, which it believes is necessary for a commercial well. Thus, the proposed location substantially increase the chances of drilling a commercial well.

Exhibit B also indicates offset operators or lessees. They are as follows:

Acreage/Well Unit

Operator/Lessee

E $\frac{1}{2}$ §8

Penroc Oil Corporation

N $\frac{1}{2}$ and SE $\frac{1}{4}$ §17

See Exhibit C attached
hereto.¹

This information is based on a current search of leasehold and Division records. Attached as Exhibit D is a copy of the notice letter sent to the offsets on this date.

This application is submitted in duplicate. Please call me if you need anything further on this matter.

Very truly yours,



James Bruce

Attorney for KCS Medallion
Resources, Inc.

¹The E $\frac{1}{2}$ of Section 17 was dedicated to a Morrow well, operated by Yates Energy Corporation, which was plugged and abandoned in January 1999.

SECTION 17 LEASEHOLD OWNERSHIP

NW/4, all depths and E/2 Below 13,850':

Edward R. Hudson Trust
616 Texas St.
Fort Worth, TX 76102

Lindy's Living Trust
616 Texas St.
Fort Worth, TX 76102

Delmar H. Lewis
616 Texas St.
Fort Worth, TX 76102

Moore & Shelton Co., Ltd.
4320 Ave. P.
Galveston, TX 77550

E/2 from the surface to 13,850':

Edward R. Hudson Trust
616 Texas St.
Fort Worth, TX 76102

Lindy's Living Trust
616 Texas St.
Fort Worth, TX 76102

Delmar H. Lewis
616 Texas St.
Fort Worth, TX 76102

Moore & Shelton Co., Ltd.
616 Texas St.
Fort Worth, TX 76102

Harvey E. Yates Co.
P.O. Box 1933
Roswell, NM 88202

Spiral, Inc.
P.O. Box 1933
Roswell, NM 88202

Explorers Petroleum Co.
P.O. Box 1933
Roswell, NM 88202

Heyco Employees, Ltd.
P.O. Box 1933
Roswell, NM 88202

Yates Energy Corp.
P.O. Box 2323
Roswell, NM 88202-2323

Jalapeno Corp.
P.O. Box 1608
Albuquerque, NM 87103

James Yates Inc.
906 S. Saint Frances Drive
Suite C
Santa Fe, NM 87501

Colkelan Corp.
906 S. Saint Frances Drive
Suite C
Santa Fe, NM 87501



JAMES BRUCE
ATTORNEY AT LAW

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July 28, 1999

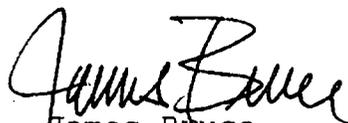
CERTIFIED MAIL
RETURN RECEIPT REQUESTED

To: Persons on Exhibit A

Ladies and Gentlemen:

Enclosed is a copy of an application, filed by KCS Medallion Resources, Inc. ("KCS") with the New Mexico Oil Conservation Division, seeking administrative approval of an unorthodox gas well location for a well in the S $\frac{1}{2}$ of Section 9, Township 19 South, Range 33 East, NMPM, Lea County, New Mexico. KCS's records show that you own an interest offsetting the proposed well. If you object to the unorthodox location, you must notify the Division in writing no later than Tuesday, August 17, 1999. The Division's address is 2040 South Pacheco Street, Santa Fe, New Mexico 87505 (Attention: Michael E. Stogner). Failure to object will preclude you from contesting this matter at a later date.

Very truly yours,


James Bruce

Attorney for KCS Medallion
Resources, Inc.



EXHIBIT A

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Edward R. Hudson Trust
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Fort Worth, TX 76102

Delmar H. Lewis
616 Texas St.
Fort Worth, TX 76102

Moore & Shelton Co., Ltd.
4320 Ave. P.
Galveston, TX 77550

E/2 Sec. 8

Penroc Oil Corp.
P.O. Box 5970
Hobbs, NM 88241

Sec. 17: E/2 from the surface to 13,850'

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616 Texas St.
Fort Worth, TX 76102

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616 Texas St.
Fort Worth, TX 76102

Delmar H. Lewis
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Fort Worth, TX 76102

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Roswell, NM 88202

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Roswell, NM 88202

Yates Energy Corp.
P.O. Box 2323
Roswell, NM 88202-2323

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SANTA FE, NEW MEXICO 87501

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July 28, 1999

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Acreage/Well Unit

Operator/Lessee

E $\frac{1}{2}$ §8

Penroc Oil Corporation

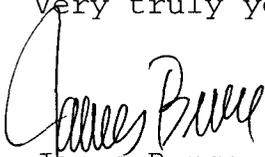
N $\frac{1}{2}$ and SE $\frac{1}{4}$ §17

See Exhibit C attached
hereto.¹

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This application is submitted in duplicate. Please call me if you need anything further on this matter.

Very truly yours,

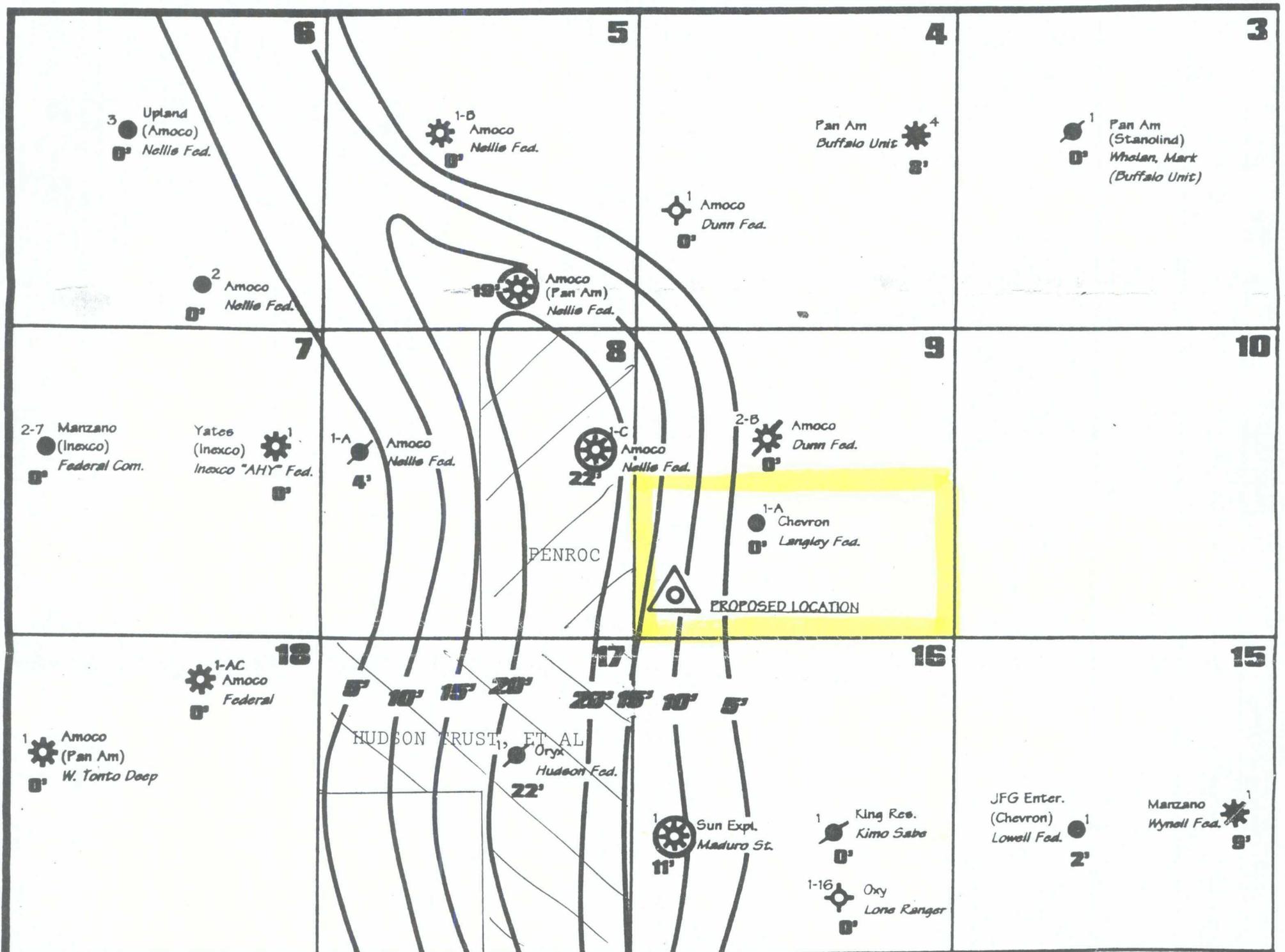


James Bruce

Attorney for KCS Medallion
Resources, Inc.

¹The E $\frac{1}{2}$ of Section 17 was dedicated to a Morrow well, operated by Yates Energy Corporation, which was plugged and abandoned in January 1999.

R-33-E



KCS Medallion Resources, Inc.
 A KCS Energy Company

**BUFFALO PROSPECT
 EDDY COUNTY, NEW MEXICO**

EXHIBIT B
**NET ISOPACH
 MORROW 'C' SAND**
 C.I. = 5'

Scale: 1"=2000' By: W. A. Siruta Date: 7/99

SECTION 17 LEASEHOLD OWNERSHIP

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Fort Worth, TX 76102

Lindy's Living Trust
616 Texas St.
Fort Worth, TX 76102

Delmar H. Lewis
616 Texas St.
Fort Worth, TX 76102

Moore & Shelton Co., Ltd.
4320 Ave. P.
Galveston, TX 77550

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James Yates Inc.
906 S. Saint Frances Drive
Suite C
Santa Fe, NM 87501

Colkelan Corp.
906 S. Saint Frances Drive
Suite C
Santa Fe, NM 87501

EXHIBIT

C

JAMES BRUCE
ATTORNEY AT LAW

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SANTA FE, NEW MEXICO 87504

3304 CAMINO LISA
SANTA FE, NEW MEXICO 87501

(505) 982-2043
(505) 982-2151 (FAX)

July 28, 1999

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

To: Persons on Exhibit A

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James Bruce

Attorney for KCS Medallion
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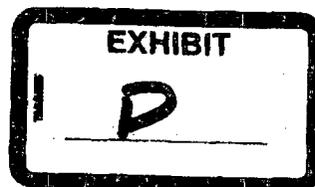


EXHIBIT A

Sec. 17: NW/4, all depths and E/2 Below 13,850'

Edward R. Hudson Trust
616 Texas St.
Fort Worth, TX 76102

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616 Texas St.
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Moore & Shelton Co., Ltd.
4320 Ave. P.
Galveston, TX 77550

E/2 Sec. 8

Penroc Oil Corp.
P.O. Box 5970
Hobbs, NM 88241

Sec. 17: E/2 from the surface to 13,850'

Edward R. Hudson Trust
616 Texas St.
Fort Worth, TX 76102

Lindy's Living Trust
616 Texas St.
Fort Worth, TX 76102

Delmar H. Lewis
616 Texas St.
Fort Worth, TX 76102

Moore & Shelton Co., Ltd.
616 Texas St.
Fort Worth, TX 76102

Harvey E. Yates Co.
P.O. Box 1933
Roswell, NM 88202

Spiral, Inc.
P.O. Box 1933
Roswell, NM 88202

Explorers Petroleum Co.
P.O. Box 1933
Roswell, NM 88202

Heyco Employees, Ltd.
P.O. Box 1933
Roswell, NM 88202

Yates Energy Corp.
P.O. Box 2323
Roswell, NM 88202-2323

Jalapeno Corp.
P.O. Box 1608
Albuquerque, NM 87103

James Yates Inc.
906 S. Saint Frances Drive
Suite C
Santa Fe, NM 87501

Colkelan Corp.
906 S. Saint Frances Drive
Suite C
Santa Fe, NM 87501