

Jalapeño Corporation

P.O. Box 1608

Albuquerque, NM 87103-1608

Phone: (505) 242-2050 Fax: (505) 242-8501

February 26, 2003

New Mexico Oil Conservation Division
Lori Wrotenbery, Director
Attn: Engineering Bureau
1220 South St. Francis Drive
Santa Fe, NM 87505

FEB 28

RE: Administrative Order SWD-830

Dear Sir/Madam:

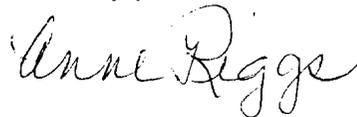
We received approval on February 19, 2002, to convert the Louise Yates State #1 to a water disposal well. Please see the attached copy of the Order. Since receiving the approval, we have not disposed of water in the well.

Following that approval, we drilled the Louise Yates State #4, which is approximately 2640 feet north of the #1, and located on the same Lease - #VA-2401. Unfortunately, we have recently determined that the #4 well will not be an economic oil producer. We also determined that because of the better porosity in the #4 than in the #1, the #4 would make a much better disposal well than would the #1. Today we are submitting to your office an application to convert the #4 to a water disposal well. Also today, I talked with Mr. Jones in your office and he suggested that we request an extension of the SWD-830 (related to the #1) in case there should be any problems in establishing the #4 as a disposal well.

Thus, we request that we be granted a 6-month extension of the Administrative Order SWD-830. If the #4 is approved as a disposal well, we plan to plug the #1

Thank you very much for your consideration.

Sincerely yours,



Anne Riggs, Adm. Asst. to
Harvey E. Yates, Jr.
President

Jalapeno Corporation

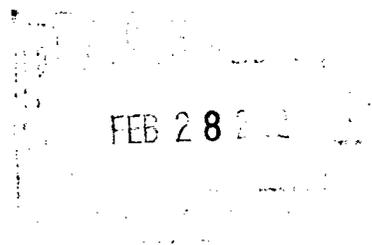
P.O. Box 1608

Albuquerque, NM 87103-1608

Phone: (505) 242-2050 Fax: (505) 242-8501

February 26, 2002

New Mexico Oil Conservation Division
Attn: Mr. David Catanach
Engineering Bureau
1220 South St. Francis Drive
Santa Fe, NM 87505



RE: Affidavit of Publication
SWD Well Application
Louise Yates State #1
Chaves County, NM
Sec. 7, Twn 9S, Rge 28E
330' FSL & 1980' FWL

Dear Mr. Catanach:

We have received the Administrative Order SWD-830 from Ms. Wrotenbery's office for the above-captioned well. Thank you for your input for its preparation.

Enclosed please find the required notarized Affidavit of Publication to attach to the application of conversion for this well. There are two because of an error in the initial publication.

This was initially published on Sunday, February 3, 2002; however, there was an error in the printing of the Township (printed as 0S instead of 9S). By the time we received a copy in the mail on February 15, 2002, and discovered the error, it could not be re-run until February 20, 2002. Thus, I have enclosed both Affidavits.

Again, thank you for your assistance. Please contact me if anything further is needed.

Sincerely yours,

Anne Riggs, Adm.Asst.

Enclosures: 2

AFFIDAVIT OF PUBLICATION

COUNTY OF CHAVES
STATE OF NEW MEXICO

I, Fran Saunders
Legals Clerk

Of the Roswell Daily Record, a daily newspaper published at Roswell, New Mexico, do solemnly swear that the clipping hereto attached was published in the regular and entire issue of said paper and not in a supplement thereof for a period of:

one time

beginning with the issue dated
February 20th 2002

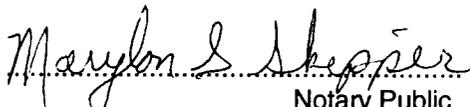
and ending with the issue dated
February 20th 2002

.....

Clerk

Sworn and subscribed to before me

This 20th day of February 2002


Notary Public

My Commission expires
July 25, 2002

(SEAL)

Publish February 20, 2002

NOTICE OF APPLICATION

JALAPENO CORPORATION, P.O. Box 1608, Albuquerque, New Mexico 87103, has filed an application with the Oil Conservation Division to convert the Louise Yates State #1 to a salt water disposal well. This injection well is located 330' FSL and 1980' FWL of Sec.07-9S-28E, Chaves County. Water will be injected into the San Andres formation from 2262' to 2855'. The maximum water to be injected will be 200 Ebbl/day with a maximum pressure of 900 psi. Any questions should be directed to Harvey E. Yates, Jr., at (505) 242-2050. Parties must file objections or requests for hearing with the NMOCD, 1220 S. St. Francis Dr., Santa Fe, NM 87504 within 15 days.

AFFIDAVIT OF PUBLICATION

COUNTY OF CHAVES
STATE OF NEW MEXICO

I, Fran Saunders
Legals Clerk

Of the Roswell Daily Record, a daily newspaper published at Roswell, New Mexico, do solemnly swear that the clipping hereto attached was published in the regular and entire issue of said paper and not in a supplement thereof for a period of:

one time

beginning with the issue dated
February 3rd 2002

and ending with the issue dated
February 3rd 2002

Fran Saunders
Clerk

Sworn and subscribed to before me

This 6th day of February 2002

Marylon A. Shipper
Notary Public

My Commission expires
July 25, 2002

(SEAL)

Publish February 3, 2002.
NOTICE OF APPLICATION
JALAPENO CORPORATION, P.O. Box 1608, Albuquerque, New Mexico 87103, has filed an application with the Oil Conservation Division to convert the Louise Yates State #1 to a salt water disposal well. This injection well is located 330' FSL and 1980' FWL of Sec. 07-05-28E, Chaves County. Water will be injected into the San Andres formation from 2262' to 2855'. The maximum water to be injected will be 200 Bbls/day with a maximum pressure of 900 psi. Any questions should be directed to Harvey E. Yates, Jr., at (505) 242-2050. Parties must file objections or requests for hearing with the NMOCD, 1220 S. St. Francis Dr., Santa Fe, NM 87504 within 15 days.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

Bill Richardson
Governor
Joanna Prukop
Cabinet Secretary

Lori Wrotenbery
Director
Oil Conservation Division

March 10, 2003

Jalapeno Corporation
P.O. Box 1608
Albuquerque, New Mexico 87103-1608

Attention: Ms. Anne Riggs

Re: Division Administrative Order No. SWD-830
Louise Yates State Well No. 1 (API No. 30-005-62894)
Unit N, Section 7, T-9 South, R-28 East, NMPM,
Chaves County, New Mexico

Dear Ms. Riggs:

Pursuant to your letter request dated February 26, 2003, and for the reasons outlined therein, Jalapeno Corporation is hereby granted a six-month extension of time in which to convert the Louise Yates State Well No. 1 to a salt water disposal well.

This injection authority shall expire on August 19, 2003 if Jalapeno Corporation has not commenced injection operations into the well, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause.

Sincerely,

A handwritten signature in cursive script that reads "David Catanach".

David Catanach
Engineer

Xc: OCD-Artesia
File-SWD-830