

HOLLAND & HART LLP
ATTORNEYS AT LAW

DENVER • ASPEN
BOULDER • COLORADO SPRINGS
DENVER TECH CENTER
BILLINGS • BOISE
CHEYENNE • JACKSON HOLE
SALT LAKE CITY • SANTA FE
WASHINGTON, D.C.

P.O. BOX 2208
SANTA FE, NEW MEXICO 87504-2208
110 NORTH GUADALUPE, SUITE 1
SANTA FE, NEW MEXICO 87501-8525

TELEPHONE (505) 988-4421
FACSIMILE (505) 883-8043

Michael H. Feldewert

mfeldewert@hollandhart.com

45967.0002

March 11, 2002

VIA FACSIMILE

David K. Brooks, Esq.
New Mexico Energy, Minerals and
Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505-4000


Re: Case No. 12811
Cibola Energy Corporation
Ysletano Canyon Federal Well No. 1

Dear Mr. Brooks:

By letter dated February 7, 2002, Mr. Yates set forth the history of the Ysletano Canyon Federal Well No. 1 and asked to be informed why the Division considered this well to be in a "non-compliant" status. Attached is the BLM Form noting the results of today's well integrity test. You will see the BLM has approved the status of this well for the next 12 months.

If the Division still considers this well to be "non-compliant" and intends to call this well for hearing on February 21st, please explain the basis for such action.

Sincerely,



Michael H. Feldewert

MHF/js
Enclosure

cc: Mr. Tim Gum, Oil Conservation Division - Artesia w/o encl.
Harvey Yates, Jr. w/o encl.

Form 3160-S
(August 1999)UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENTSUNDRY NOTICES AND REPORTS ON WELLS MAR 2002
Do not use this form for proposals to drill or re-enter an
abandoned well. Use Form 3160-S (APD) for such proposals.FORM APPROVED
OMB No. 1004-0135
Expires November 30, 2000

5. Lease Serial No.
NM 38313
6. If Indian, Allottee or Tribe Name
N/A
7. If Unit or CVA Agreement, Name and/or No.
N/A
8. Well Name and No.
YaleTano Canyon Fed #1
9. API Well No.
30-085-20025
10. Field and Pool, or Exploratory Area
Wildcat
11. County or Parish, State
Otero County, NM

1. Type of Well
☐ Oil Well ☒ Gas Well ☐ Other
2. Name of Operator
Cibola Energy Corporation
- 3a. Address
PO Box 1668, Albuquerque, NM 87103
- 3b. Phone No. (include area code)
(505) 242-2050
4. Location of Well (Parish, Sec. T, R, M, or Survey Description)
Sec. 7, T14S, R1E, UNIT NMPM
1063' FSL + 823 FBL

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"/> Addize	<input type="checkbox"/> Deepen	<input type="checkbox"/> Production (Start/Resume)	<input type="checkbox"/> Water Shut-Off
<input checked="" type="checkbox"/> Subsequent Report	<input type="checkbox"/> Allow Casing	<input type="checkbox"/> Fracture Treat	<input type="checkbox"/> Reclamation	<input checked="" type="checkbox"/> Well Integrity
<input type="checkbox"/> Final Abandonment Notice	<input type="checkbox"/> Casing Repair	<input type="checkbox"/> New Construction	<input type="checkbox"/> Recomplete	<input type="checkbox"/> Other
	<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	

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 recompleat horizontally, give subsurface locations and measured and true vertical depths of all proposed openings and pipes. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. 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 upon 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.)

ON 3/11/02 a well integrity Test was conducted by Jim's Water Service for 30 minutes at 500 psi. Stan Mayo witnessed the test and signed the chart which is attached. As is shown by the chart the well held pressure as required

APPROVED FOR 12 MONTH PERIOD
ENDING MAR 11 2003

RECEIVED
MAR 11 PM 1:56
BUREAU OF LAND MANAGEMENT
ROSWELL OFFICE

14. I hereby certify that the foregoing is true and correct
Name (Printed/Typed)

HAARVEY YATES, JR.

Title President

Signature *Harvey Yates Jr.*

Date 3/11/02

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

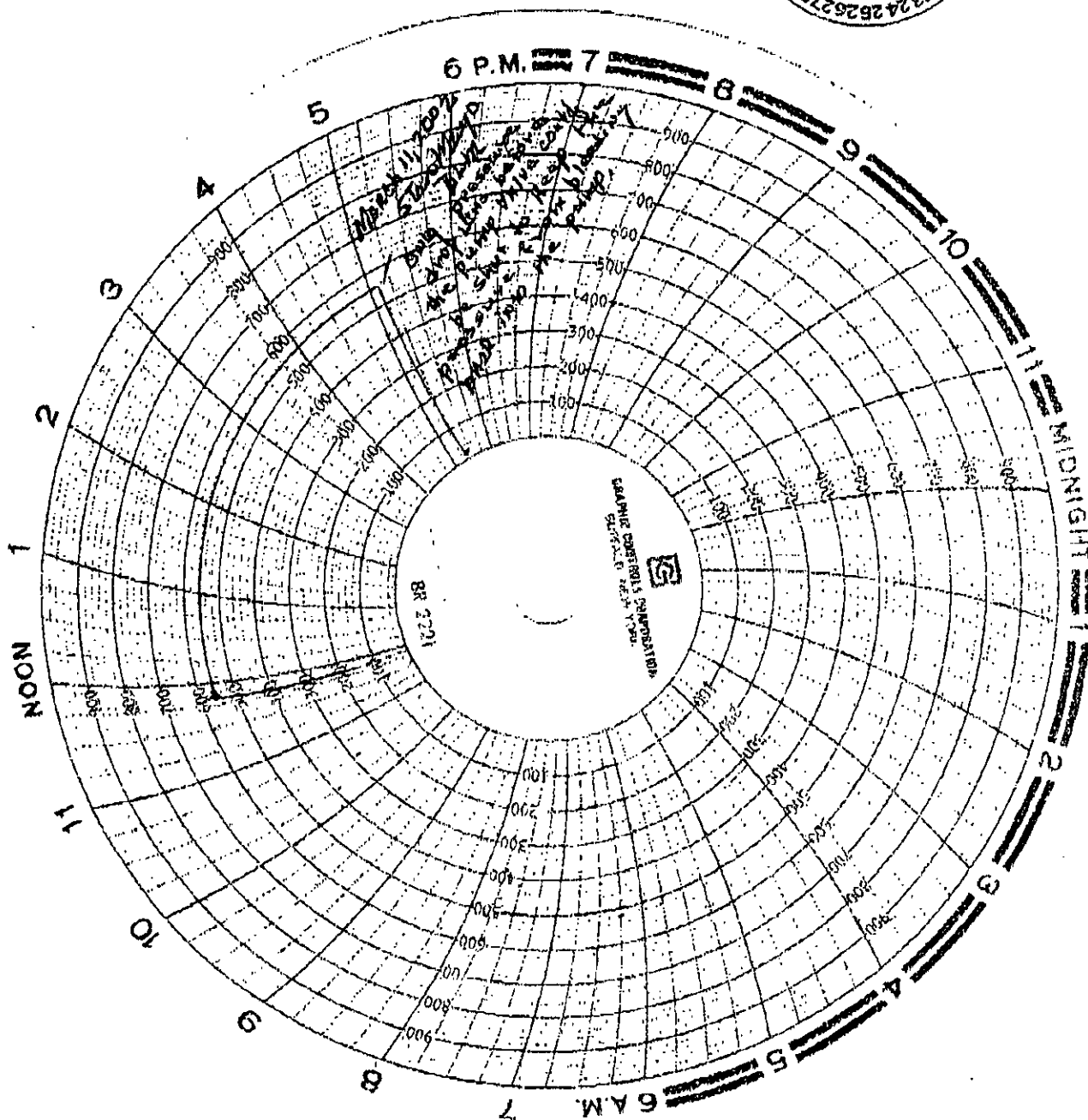
Approved by (ORIG. SGD.) ALEXIS C. SWOBODA

PETROLEUM ENGINEER MAR 11 2002

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.

Office

Title 16 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 or in any manner within its jurisdiction.



HOLLAND & HART, LLP*The Law Out West™*Aspen
BillingsBoise
BoulderCheyenne
Colorado SpringsDenver
Denver Tech CenterJackson Hole
Salt Lake CitySanta Fe
Washington, DC

110 North Guadalupe, Suite 1,
P.O. Box 2208, Santa Fe, New Mexico 87504-2208

Monday, March 11, 2002

To: David K. Brooks, Esq.
New Mexico Energy, Minerals & Natural
Resources Department

Fax : 505.476.3471
Phone:

From: Michael H. Feldewert

Fax : 505.983.6043
Phone: 505.988.4421

Message: Re: Case No. 12811
Attached is our letter dated today's date.

☒ No Confirmation Copy

Number of pages including cover sheet: 5

Note: If this fax is illegible or incomplete please call us. This fax may contain confidential information protected by the attorney-client privilege. If you are not the named recipient, you may not use, distribute or otherwise disclose this information without our consent. Instead, please call (505) 988-4421; we will arrange for its destruction or return.

Attorney Number: 5104

Client/Matter Number: 45631.0002

Time Deadline:

Operator Initials: js

Date Transmitted: 03.11.02

Time:

HOLLAND & HART^{LLP}
ATTORNEYS AT LAW

DENVER • ASPEN
BOULDER • COLORADO SPRINGS
DENVER TECH CENTER
BILLINGS • BOISE
CHEYENNE • JACKSON HOLE
SALT LAKE CITY • SANTA FE
WASHINGTON, D.C.

P.O. BOX 2208
SANTA FE, NEW MEXICO 87504-2208
110 NORTH GUADALUPE, SUITE 1
SANTA FE, NEW MEXICO 87501-6525

TELEPHONE (505) 988-4421
FACSIMILE (505) 983-6043

Michael H. Feldewert

mfeldewert@hollandhart.com

March 11, 2002

VIA FACSIMILE

David K. Brooks, Esq.
New Mexico Energy, Minerals and
Natural Resources Department
1220 South St. Francis Drive
Santa Fe, New Mexico 87505-4000

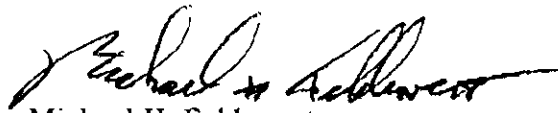
Re: Case No. 12811
Jalapeno Corporation
Louise Yates State Well No. 1 (API No. 30-005-62894)

Dear Mr. Brooks:

Enclosed please find Administrative Order SWD-830. I understand from our earlier conversations that this order sets forth the "remedial action" necessary for this well and that this matter will be removed from the list of "non-compliance" wells subject to hearing under Case No. 12811.

If the Division still considers this well to be "non-compliant" and intends to call this well for hearing on February 21st, please explain the basis for such action.

Sincerely,


Michael H. Feldewert

MHF/js
Enclosure

cc: Mr. Tim Gum, Oil Conservation Division - Artesia w/o encl.
Harvey Yates, Jr., Jalapeno Corporation w/o encl.



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

GARY E. JOHNSON

Governor

Betty Rivera

Cabinet Secretary

Lori Wrotenbery

Director

Oil Conservation Division

ADMINISTRATIVE ORDER SWD-830

APPLICATION OF JALAPENO CORPORATION FOR SALT WATER DISPOSAL, CHAVES COUNTY, NEW MEXICO.

ADMINISTRATIVE ORDER OF THE OIL CONSERVATION DIVISION

Under the provisions of Rule 701(B), Jalapeno Corporation made application to the New Mexico Oil Conservation Division on February 4, 2002, for permission to complete for produced water disposal its Louise Yates State Well No. 1 (API No. 30-005-62894) located 330 feet from the South line and 1980 feet from the West line (Unit N) of Section 7, Township 9 South, Range 28 East, NMPM, Chaves County, New Mexico.

THE DIVISION DIRECTOR FINDS THAT:

- (1) The application has been duly filed under the provisions of Rule 701(B) of the Division Rules and Regulations;
- (2) Satisfactory information has been provided that all offset operators and surface owners have been duly notified;
- (3) The applicant has presented satisfactory evidence that all requirements prescribed in Rule 701 will be met; and
- (4) No objections have been received within the waiting period prescribed by said rule.

IT IS THEREFORE ORDERED THAT:

Jalapeno Corporation is hereby authorized to complete its Louise Yates State Well No. 1 (API No. 30-005-62894) located 330 feet from the South line and 1980 feet from the West line (Unit N) of Section 7, Township 9 South, Range 28 East, NMPM, Chaves County, New Mexico, in such a manner as to permit the injection of produced water for disposal purposes into the San Andres formation from a depth of 2,262 feet to 2,855 feet through 2 3/8 inch plastic-lined tubing set in a packer located at approximately 2,162 feet.

*Administrative Order SWD-830
Jalapeno Corporation
February 19, 2002
Page 2*

IT IS FURTHER ORDERED THAT:

The operator shall take all steps necessary to ensure that the injected water enters only the proposed injection interval and is not permitted to escape to other formations or onto the surface.

Prior to commencing injection operations into the well, the casing shall be pressure tested from the surface to the packer setting depth to assure the integrity of said casing.

The casing-tubing annulus shall be loaded with an inert fluid and equipped with a pressure gauge at the surface or left open to the atmosphere to facilitate detection of leakage in the casing, tubing, or packer.

The injection well or system shall be equipped with a pressure limiting device which will limit the wellhead pressure on the injection well to no more than 452 psi.

The Director of the Division may authorize an increase in injection pressure upon a proper showing by the operator of said well that such higher pressure will not result in migration of the injected fluid from the San Andres formation. Such proper showing shall consist of a valid step-rate test run in accordance with and acceptable to this office.

The operator shall notify the supervisor of the Artesia District Office of the Division of the date and time of the installation of disposal equipment and of any mechanical integrity test so that the same may be inspected and witnessed.

The operator shall immediately notify the supervisor of the Artesia District Office of the Division of the failure of the tubing, casing, or packer in said well and shall take such steps as may be timely and necessary to correct such failure or leakage.

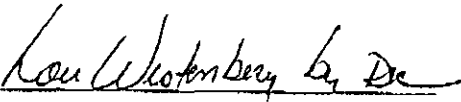
PROVIDED FURTHER THAT, jurisdiction is retained by the Division for the entry of such further orders as may be necessary for the prevention of waste and/or protection of correlative rights or upon failure of the operator to conduct operations (1) to protect fresh water or (2) consistent with the requirements in this order, whereupon the Division may, after notice and hearing, terminate the injection authority granted herein.

The operator shall submit monthly reports of the disposal operations on Division Form C-115, in accordance with Rule Nos. 706 and 1120 of the Division Rules and Regulations.

The injection authority granted herein shall terminate one year after the effective date of this order if the operator has not commenced injection operations into the subject well, provided however, the Division, upon written request by the operator, may grant an extension thereof for good cause shown.

Administrative Order SWD-830
Jalapeno Corporation
February 19, 2002
Page 3

Approved at Santa Fe, New Mexico, on this 19th day of February, 2002.


LORI WROTENBERY, Director

LW/DRC

cc: Oil Conservation Division – Artesia
State Land Office-Oil & Gas Division