

Submit 3 Copies To Appropriate District
Office
District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Ave., Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM
87505

State of New Mexico
Energy, Minerals and Natural Resources

Form C-103
May 27, 2004

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

WELL API NO.
30-005-63657

5. Indicate Type of Lease
STATE ☒ FEE ☐

6. State Oil & Gas Lease No.
VA 2401

7. Lease Name or Unit Agreement Name

Louise Yates State

8. Well Number 3

9. OGRID Number
26307

10. Pool name or Wildcat
Wolf Lake South

SUNDRY NOTICES AND REPORTS ON WELLS
(DO NOT USE THIS FORM FOR PROPOSALS TO DRILL OR TO DEEPEN OR PLUG BACK TO A
DIFFERENT RESERVOIR. USE "APPLICATION FOR PERMIT" (FORM C-101) FOR SUCH
PROPOSALS.)

1. Type of Well: Oil Well ☒ Gas Well ☐ Other

2. Name of Operator
Jalapeno Corporation

3. Address of Operator
P.O. Box 1608, Albuquerque, NM 87103

4. Well Location

Unit Letter N : 330 feet from the South line and 2310 feet from the West line
Section 7 Township 9-S Range 28E NMPM County Chaves

11. Elevation (Show whether DR, RKB, RT, GR, etc.)
3891 GR

Pit or Below-grade Tank Application ☒ or Closure ☐

Pit type dirt Depth to Groundwater 200-300 Distance from nearest fresh water well Approx. 3/4 mi. Distance from nearest surface water White tanks approx. 1 mi.

Pit Liner Thickness: 12 mil Below-Grade Tank: Volume 5600 bbls; Construction Material dirt

12. Check Appropriate Box to Indicate Nature of Notice, Report or Other Data

NOTICE OF INTENTION TO:

PERFORM REMEDIAL WORK ☐ PLUG AND ABANDON ☐
TEMPORARILY ABANDON ☐ CHANGE PLANS ☒
PULL OR ALTER CASING ☐ MULTIPLE COMPL ☐

OTHER: ☐

SUBSEQUENT REPORT OF:

REMEDIAL WORK ☐ ALTERING CASING ☐
COMMENCE DRILLING OPNS. ☐ P AND A ☐
CASING/CEMENT JOB ☐

OTHER: ☐

13. Describe proposed or completed operations. (Clearly state all pertinent details, and give pertinent dates, including estimated date of starting any proposed work). SEE RULE 1103. For Multiple Completions: Attach wellbore diagram of proposed completion or recompletion.

1. We request an additional six months extension to the permit to drill this well. However, we intend to move the rotary rig on as soon as the extension is approved.
2. We request authority to drill the hole to the top of the pay with rotary air rig, rather than cable tool rig. We intend to tail in the hole through the pay with cable tools. Fresh water foam will be used during the air drilling phase. Attached please find the rotary rig BOP diagram.
3. We enclose a Pit or Below Grade Tank Registration form as well as a statement related to H2S. We request that these be considered part of the extended permit.

I hereby certify that the information above is true and complete to the best of my knowledge and belief. I further certify that any pit or below-grade tank has been/will be constructed or closed according to NMOCD guidelines ☐, a general permit ☐ or an (attached) alternative OCD-approved plan ☐.

Jalapeno Corporation
SIGNATURE by Harry Yates Jr. TITLE President DATE 1/9/06

Type or print name: Harry Yates Jr. E-mail address: personnel3@msn.com Telephone No. 505-242-2050

For State Use Only Jim W. Green

APPROVED BY District II Supervisor

Conditions of Approval (if any):

DATE JAN 12 2006

Hydrogen Sulfide Contingency Per Rule 118

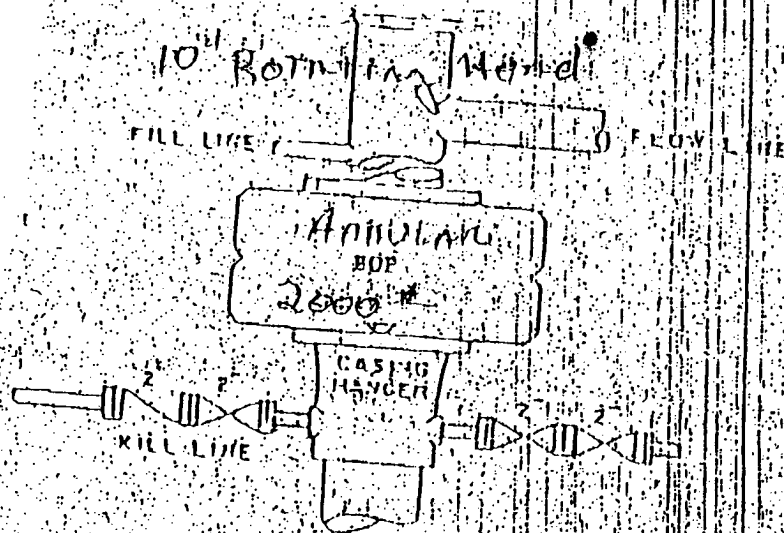
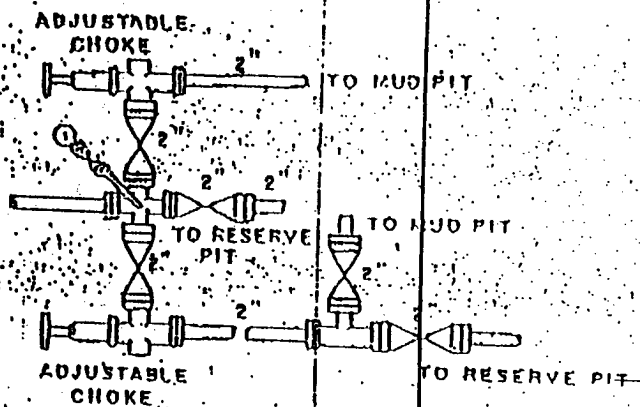
**Louise Yates State #3
T 9-S R 28-E S 7
Chaves County**

In accordance with the rules and procedures detailed in Rule 118, it has been determined that the H₂S level present at the above-mentioned site does not exceed 100 ppm at this time, nor do we expect it to exceed that level on the location during drilling operations. However, during drilling the following protective measures shall be implemented by the operator to address this issue:

- The pumper and drill crew shall be issued gas masks which are appropriate for escape in the event of discharge.
- The rotary rig and the cable tool rig utilized in this operation shall be oriented so the prevailing wind would carry away from the rig floor any discharge, and when practical, location of tank batteries will also be so situated.
- Signage shall be placed onsite which alerts the public to the possible presence of Hydrogen Sulfide gas.
- A directional wind indicator shall be placed on site.
- The drill site shall have a gas detection device, Industrial Scientific Model iTX Monitor Model LEL, placed near the pit downwind from the borehold. The detector will have an alarm sufficient in sound level to alert the crew to the presence of gas.
- The drill crew will have a cell phone.

The following site conditions have been noted which affect the application of hazard mitigation in this circumstance:

- The site is not proximate to any public road.
- The site is generally flat, with no areas in which gas is likely to settle.



ANNULAR BOP STACK
PRESSURE 2000#

Jalapeño Corporation
P.O. Box 1608
Albuquerque, NM 87103-1608
Phone: (505) 242-2050 Fax: (505) 242-8501

January 9, 2006

Tim Gum
Oil Conservation Division, Artesia
1301 W. Grand
Artesia, NM 88210

RE: Louise Yates State #3
Well API NO. 30-005-63657
S. 7, T. 9S, R. 28E
Chaves, County

RECEIVED
JAN 12 2006
OCD-ARTESIA

Dear Mr. Gum:

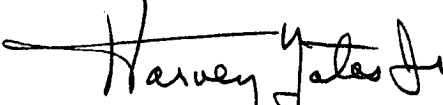
We earlier staked and permitted the subject well. The location was built, though the pit has not yet been dug. The well was permitted as a cable tool hole. Because we found it difficult to secure cable tool drilling crews we subsequently requested an extension of the drilling permit. The purpose of this letter and attached Sundry Notice, with related documents, is to cover several matters:

- A. A Second Extension of Drilling Permit: We intend to commence the well within the next thirty days, and, consequently, request another six month's extension of the permit.
- B. Change in Drilling Technique: We have been able to secure a cable crew for only a single daily shift (eight hours), five to six days week. Drilling the well with this crew would likely result in a drilling effort requiring several months. Thus, we now propose to drill the well with an air rotary rig (United Drilling) and to tail in the well, through the pay, with the cable tool rig. We include with the Sundry Notice BOP information related to the rotary rig.
- C. Inclusion of Pit Permit Form: I believe that the regulations related to pits and the regulations related to air quality testing and safety have changed since the well was

permitted. Hence, we enclose a completed "Pit or Below-Grade Tank Registration or Closure" form and a statement related to H2S which we request be considered as part of the extended permit.

I appreciate your assistance on this matter.

Yours truly,



Harvey Yates, Jr.

Enclosures