

JALAPENO CORPORATION

P.O. Box 1608 • Albuquerque, New Mexico 87103 • (505) 242-2050 • Fax (505) 242-8501

February 18, 1997

Re: Louise State # 1

Oil Conservation Division
P.O. Drawer DD
Artesia New Mexico 88210

ATTN: GARY WILLIAMS AND BRIAN ARRAND

Gentlemen:

I enclose with this letter the following: Logs: CNL Density; DLL MSFL; Bond Log; and Perforation Log; and three copies of a Sundry Notice related to running the Bond Log, setting a plug at the base of the San Andres (Top of the Glorieta), and perforating the San Angelo.

BOND LOG: Earlier we requested permission to convert the Duncan Federal 4Y (Sec 18 T. 9S. R. 28E) into a water disposal well. The Oil Conservation Division agreed to the use of the well as a water disposal subject to several requirements including our running a Bond Log across the San Andres in the Louise State # 1. I believe that your examination of the enclosed Bond Log will show that cement bonding through the San Andres is satisfactory. Thus, I believe that we have now met all of the requirements of the Commission related to using the Duncan 4 Y as a disposal well except running pressure and equipment tests on the Duncan 4 Y itself. If your examination of the record indicates the same, I would appreciate your confirming the same and I will then schedule with you the Duncan 4 Y tests.

COMBINATION OF PRODUCING ZONES WITHIN THE SAN ANDRES: As shown on the Sundry Notice we have perforated the San Angelo portion of the San Andres (2706 - 2722). (This zone is or was producing in a well drilled by Fred Pool in the East Chisum field ten to twenty miles to the north of the Louise State # 1.) If the San Angelo does not produce a sufficient amount of oil to justify producing it alone, I would like to perforate two additional zones in the Slaughter portion of the San Andres and combine them with the San Angelo production. However, before doing this I would appreciate word from the Commission that there would be no legal problem if I commingle oil from the Slaughter and San Angelo portions of the San Andres. Today I talked to Brian about this and promised to send the logs which are enclosed.

Yours truly,

Harvey Yates Jr.