

District I
1625 N. French Dr., Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Road, Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy Minerals and Natural Resources

Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

RECEIVED
Form C-129
Revised June 10, 2003

Submit 3 Copies to appropriate
District Office

NFO Permit No. _____

III 03 2008
HOBBS OGD
(For Division Use Only)

APPLICATION FOR EXCEPTION TO NO-FLARE RULE 306
(See Rule 306 and Rule 1129)

- A. Applicant KERNS PETROLEUM, INC.,
whose address is 1777 NE LOOP 410, SUITE 930, SAN ANTONIO, TX 78217,
hereby requests an exception to Rule 306 for 90 days or until
OCTOBER 1, Yr 2008, for the following described tank battery (or LACT):
Name of Lease EUMONT STATE #1 ³⁰⁻⁰²⁵⁻³⁸⁵⁶¹ Name of Pool JALMAT; TAN-YATES-7 RVRS (OIL)
Location of Battery: Unit Letter C Section 36 Township 21S Range 35E
Number of wells producing into battery 1
- B. Based upon oil production rate of 80 barrels per day, the estimated * volume
of gas to be flared is ~20 MCF; Value \$200 per day.
- C. Name and location of nearest gas gathering facility:
DCP MIDSTREAM GATHERING LINE 1.0 MILES NE OF THE WELLSITE
- D. Distance 1.0 MILES Estimated cost of connection ±\$25,000
- E. This exception is requested for the following reasons: WELL WAS COMPLETED 5/16/08;
WE ARE APPLYING FOR / SECURING R-O-W FROM THE STATE OF NEW MEXICO &
ADJACENT SURFACE OWNER TO LAY LINE OURSELVES. ANTICIPATE 8 WEEKS TO
SECURE STATE R-O-W AND ANOTHER FEW WEEKS TO COMPLETE INSTALLATION.

OPERATOR I hereby certify that the rules and regulations of the Oil Conservation Division have been complied with and that the information given above is true and complete to the best of my knowledge and belief. Signature <u></u> Printed Name & Title <u>KERRY JOHNSTON, VICE PRESIDENT</u> E-mail Address _____ Date <u>JULY 2, 2008</u> Telephone No. <u>210-829-7881</u>	OIL CONSERVATION DIVISION Approved Until <u>10/3/08</u> By <u></u> Title <u>OC DISTRICT SUPERVISOR/GENERAL MANAGER</u> Date <u>JUL 03 2008</u>
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* Gas-Oil ratio test may be required to verify estimated gas volume.



KERNS PETROLEUM, INC.

1777 NE Loop 410, Suite 930
San Antonio, TX 78217
(210) 829-7881
Fax (210) 829-7883

RECEIVED

JUL 02 2008

HOBBS OCD

July 2, 2008

New Mexico Oil Conservation Division
1625 N. French Drive
Hobbs, New Mexico 88240
Attn: Mr. Chris Williams

VIA DHL #28006776254

Re: Form C-129: Application for Exception to No-Flare Rule
Eumont State #1 [API No. 30-025-38561]
Lea County, New Mexico

Gentlemen:

Enclosed please find three originals of the OCD Form C-129. The gas will be connected for sales as soon as practicable (after rights-of-way are secured).

The well continues to flow without artificial lift and we are continuing to test the productive capacity of the Seven Rivers completion. The production and engineering information being gathered will help determine the rate at which the well can be produced without damage or waste.

If there are any questions regarding the above, please contact me.

Sincerely,

Kerry A. Johnston
Vice President

Enclosures