



Manzano Oil Corporation

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December 13, 1996

New Mexico Oil Conservation Division  
2040 South Pacheco  
Santa Fe, New Mexico 87505

Attn: Mr. William J. Lemay, Director

Re: 309-C Administrative Approval  
Off-Lease Storage

Manzano "SV" Double Eagle #1  
1500'FNL & 2148'FEL  
Sec 11, T16S, R36E  
Lea County, New Mexico

*NE 1/4 PLAT  
40 760*

Gentlemen:

Manzano requests administrative approval to transport production from the "SV" Double Eagle #1 prior to measurement to an offset lease. The "SV" Double Eagle tank battery will be located on the offset lease and oil will be stored and sold at the off-lease tank battery as well as the gas. There is no other production from the offset lease, nor are there any other tank batteries on the offset lease. Oil storage from the "SV" Double Eagle will not be commingled with other leases or wells.

The "SV" Double Eagle is located only a few hundred feet from a residential subdivision to the north (NW/NE Section 11, T16S, R36E). Having a tank battery on the drilling pad would be an unwarrantable hazard on the residents. Manzano proposes to build the tank battery south of the well site on the offset 40 acre quarter-quarter section location as indicated on the attached land plat. Two locations have been selected because at this time it is not known which site will become available. Either site is sufficiently removed from the residential area as to not cause any safety or traffic problems.

All requirements of the Oil Conservation Division rule 309-C have been met as stated below.

(1) All production is from the same common source of supply.