

State of New Mexico
Energy Minerals and Natural
Resources
Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505
NFO Permit

Form C-129
Revised June 10, 2003

Submit 3 Copies to appropriate
District Office

No. 2-938
(For Division Use Only)

APPLICATION FOR EXCEPTION TO NO-FLARE RULE 306

(See Rule 306 and Rule 1129)

- A. Applicant **Jalapeño Corporation**,
whose address is **PO Box 1608, Albuquerque NM 87103**,

hereby requests an exception to Rule 306 for 730 days or until **August 3, 2006**,
for the following described tank battery (or LACT): **Duncan Federal #2, API# 30-005-62235**

Name of Lease **DUNCAN FEDERAL ON NM 12557** Name of Pool **Wolf Lake San Andres, South**

Location of Battery: **Unit Letter M Section 07 Township 9S Range 28E**

Number of wells producing into battery **2 Wells**

- B. Based upon oil production of **80 barrels per day**, the estimated * volume
of gas to be flared is **99 MCF**; Value **0** per day.

- C. Name and location of nearest gas gathering facility: **Agave Energy Pathfinder Facility - Unit I S22, 10S, 27E** At this time the pipeline operator will not accept gas of the quality which can be captured from this battery.

The El Paso natural gas line runs north of the site apx. 3/4 mi. At this time the pipeline operator will not accept gas of the quality which can be captured from this battery.

- D. Distance **+/- 8 Miles** Estimated cost of connection **Unknown**

- E. This exception is requested for the following reasons: **The San Andres gas is sour and in the existing quantity is not viable for commercial recovery. The well is not located near any populated or traveled areas. The gas release will most likely decline over time.**

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

Harvey E Yates Jr.

Printed Name & Title **Harvey E Yates Jr, President**

Date **8/5/2004** Telephone No. **(505) 242-2050**

OIL CONSERVATION DIVISION

Approved Until

2-5-05

By

[Signature]

Title

Date

AUG 9 2004

* Gas-Oil Please note that the gas must be flared not vented.
ed gas volume. - Enclosed