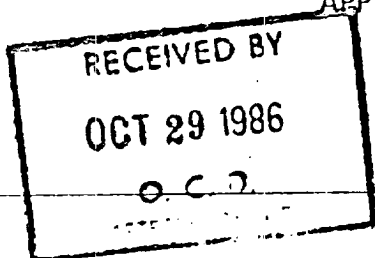


015F

APPLICATION FOR EXCEPTION TO NO-FLARE RULE 306



NFO Permit No. Z-761
(For Division Use Only)

A. Applicant, M.K. & W., INC.,

whose address is P.O. Box 184, Artesia, N.M. 88210,

hereby requests an exception to Rule 306 for _____ days or until

_____, 19____, for the following described tank battery (or LACT):

Name of Lease El Cheapo # 3 Name of Pool Artesia - Q-GB-SA

Location of Battery: Unit Letter I Section 1 Township 19 Range 27

Number of wells producing into battery 2

B. Based upon oil production of 20 barrels per day, the estimated* volume
of gas to be flared is TSTM MCF; Value _____ per day.

C. Name and location of the nearest gas gathering facility:

Phillips Petroleum

D. Distance 1 mile Estimated cost of connection 50,000.00

E. This exception is requested for the following reasons:

The gas is TSTM and we can not obtain hook-up.

F. 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]
(Signature)
[Title]
(Title)
[Date]
(Date)

Approved Until Further Notice

NEW MEXICO OIL CONSERVATION DIVISION

By [Signature]

OIL AND GAS INSPECTOR

Title _____

Date OCT 30 1986

*Gas-Oil ratio test may be required to verify estimated gas volume.