<u>District I</u> 1625 N. French Dr., Hobbs, NM 88240 <u>District II</u> 1301 W. Grand Avenue, Artesia, NM 88210 <u>District III</u> 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





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

A. Applicant <u>KERNS PETROLEUM, INC</u>	
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	g described tank battery (or LACT): 30-025-3856 (
Name of Lease <u>EUMONT STATE #1</u>	Name of Pool JALMAT; TAN-YATES-7 RVRS (OIL)
Location of Battery: Unit Letter <u>C</u> Section	n 36 Township 21S Range 35E
Number of wells producing into battery	
B. Based upon oil production rate of 80 barrels per day, the estimated * volume	
of gas to be flared is _~20 MCF; Value <u>\$200</u> 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: <u>WELL WAS COMPLETED 5/16/08;</u>	
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	OIL CONSERVATION DIVISION
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.	Approved Until 10/3/08
Signature Juny John Low	By Mis Welliams
Printed Name	Title OC DISTRICT SUPERVISOR/GENERAL MANAGEP
& Title KERRY JOHNSTON, VICE PRESIDENT	1111 0 7 0000
E-mail Address	Date JUL 0 5 2008
Date JULY 2, 2008 Telephone No. 210-829-7881	

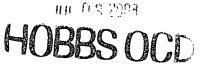
Gas-Oil ratio test may be required to verify estimated gas volume.



KERNS PETROLEUM, INC.

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





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