District I
1625 N. French Dr., Hobbs, NM 88240
District II
811 South First, 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

Form C-129
Revised March 17, 1999

Submit 3 Copies to appropriate District Office

NFO Permit No. I-886
(For Division Use Only)

APPLICATION FOR EXCEPTION TO NO-FLARE RULE 306

(See Rule 306 and Rule 1129)

A. Applicant Joe Melton Drilling Co., Inc.,

whose address is P.O. Box 4203 Midland, Texas 79704,

hereby requests an exception to Rule 306 for 30 days or until

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

Name of Lease New Mexico G State #28 Name of Pool Eumont Yates 7 Rvrs. Queen oil

Location of Battery: Unit Letter B Section 23 Township 21S Range 36E

Number of wells producing into battery 1

B. Based upon oil production of 30 barrels per day, the estimated * volume

of gas to be flared is 528 MCF; Value $2,640.00 per day.

C. Name and location of nearest gas gathering facility:

_____

D. Distance _____ Estimated cost of connection _____

E. This exception is requested for the following reasons: The gas produced from this well contains a higher CO2 content than our gas contract calls for from Dynegy. We are venting this gas in order to lower the CO2 content and in turn connect to Dynegy's line.

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 Karen Allen

Printed Name & Title Karen Allen Secretary

Date 5/7/01 Telephone No. 915 682-5461

OIL CONSERVATION DIVISION

Approved Until 7/7/01

By [signature]

Title Geologist

Date JUN 7 2001

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