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Form 3160-5

(February 2005)

JUN 04 2010

UNITED STATES
DEPARTMENT OF THE INTERIOR
BUREAU OF LAND MANAGEMENT

HOBBSON

GCD-HOBBS

SUNDRY NOTICES AND REPORTS ON WELLS

Do not use this form for proposals to drill or to re-enter an abandoned well. Use Form 3160-3 (APD) for such proposals.

FORM APPROVED

OMB No 1004-0137

Expires March 31, 2007

5. Lease Serial No.

NM 877002

6. If Indian, Allottee or Tribe Name

SUBMIT IN TRIPLICATE - Other instructions on page 2.

1. Type of Well

☒ Oil Well☐ Gas Well☐ Other

2. Name of Operator

PENROC OIL CORPORATION

3a. Address

P.O. Box 2769, Hobbs, NM 88241

3b. Phone No. (include area code)

(575) 492-1236

4. Location of Well (Footage, Sec., T., R., M., or Survey Description)

660 FSL, 1980 FEL, Sec. 6, T. 19 S, R. 33 E

7. If Unit of CA/Agreement, Name and/or No.

8. Well Name and No.

Nellis Federal No. 2

9. API Well No.

30-025-25782

10. Field and Pool or Exploratory Area

Tonto Bone Springs, West

11. Country or Parish, State

LEA

12. CHECK THE APPROPRIATE BOX(ES) TO INDICATE NATURE OF NOTICE, REPORT OR OTHER DATA

TYPE OF SUBMISSION

☐ Notice of Intent☒ Subsequent Report☐ Final Abandonment Notice

TYPE OF ACTION

☐ Acidize☐ Alter Casing☐ Casing Repair☐ Change Plans☐ Convert to Injection☐ Deepen☐ Fracture Treat☐ New Construction☐ Plug and Abandon☐ Plug Back☐ Production (Start/Resume)☐ Reclamation☒ Recomplete☐ Temporarily Abandon☐ Water Disposal☐ Water Shut-Off☐ Well Integrity☐ Other

13. Describe Proposed or Completed Operation: Clearly state all pertinent details, including estimated starting date of any proposed work and approximate duration thereof. If the proposal is to deepen directionally or recompleat horizontally, give subsurface locations and measured and true vertical depths of all pertinent markers and zones. Attach the Bond under which the work will be performed or provide the Bond No. on file with BLM/BIA. Required subsequent reports must be filed within 30 days following completion of the involved operations. If the operation results in a multiple completion or recompleat in a new interval, a Form 3160-4 must be filed once testing has been completed. Final Abandonment Notices must be filed only after all requirements, including reclamation, have been completed and the operator has determined that the site is ready for final inspection.)

This well is producing intermittently from Tonto Bone Springs, west pool (Perfs 8905-9400' by previous operator). PBTD is 10,840'. Yates perfs (3532-3638') were all water and were squeezed. In order to fully capitalize on the potential of this well, it will have to be fraced. Next frac window is being tested some time in August, unless a window opens up by some cancellation. We will be installing a pumping unit, run rods and pump and electrify the pumping unit. Will continue to produce until frac, and of course, hope to have better production after the frac treatment. Thanks.

14. I hereby certify that the foregoing is true and correct.

Name (Printed/Typed)

M. Y. (Merch) Merchant

Title

PRESIDENT

Signature

[Signature]

Date

5/27/2010

REJECTED

THIS SPACE FOR FEDERAL OR STATE OFFICE USE

Approved by

6/2/2010

Conditions of approval, if any, are attached. Approval of this notice does not warrant or certify that the applicant holds legal or equitable title to those rights in the subject lease which would entitle the applicant to conduct operations thereon.

PETROLEUM EXAMINER

Title

Office

JUN 07 2010

Date

Wesley M. Dwyer
(see requirements)

Title 18 U.S.C. Section 1001 and Title 43 U.S.C. Section 1212, make it a crime for any person knowingly and willfully to make to any department or agency of the United States any false, fictitious or fraudulent statements or representations as to any matter within its jurisdiction.

(Instructions on page 2)

**Nellis Federal No. 2
30-025-25782
Penroc Oil Corporation
June 2, 2010
REQUIREMENTS**

Note – all items for Lea or Eddy County are to be mailed or hand delivered to the Carlsbad Field Office. Future submissions to the Hobbs Field Station will be rejected.

Operator became operator of this well on November 1, 1998 and well remained in Temporary Abandoned (TA) status until August 8, 2009. The TA approved on March 24, 2000 expired on September 24, 2000. Operator has consistently been in non-compliance with regards to the status of this well.

Operator submitted essentially identical recompletion sundries in July 2004 and April 2009 – work was completed on the April 2009 sundry in July 2009.

Pursuant to the production reports since being placed on production August 8, 2009; this well is not producing in paying quantities.

- 1. Therefore, operator is to submit a plug and abandonment procedure by June 20, 2010.**
- 2. Operator also is required to change the well sign to denote the current operator.**

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