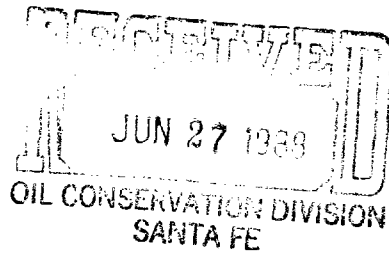


PENROC

Penroc Oil Corporation / P. O. Box 5970 / Hobbs, New Mexico 88241 / Telephone (505) 397-3596 / Telecopier (505) 393-7051

June 22, 1988



Mr. William J. Lemay
New Mexico Oil Conservation Division
Post Office Box 2088
State Land Office Building
Santa Fe, New Mexico 87501

Re: Application requesting administrative approval
to Rule 303
Ainsworth Lease
Section 35, Township 9 South, Range 33 East
Lea County, New Mexico

Gentlemen:

PENROC OIL CORPORATION, as operator of the captioned lease requests an administrative approval to commingle production at a common tank battery.

Ainsworth Well No. 1 and Well No. 2 has been producing from the Vada Penn zone. In May, 1988, Well No. 2 was recompleted in the Lane Abo zone (880') and is currently averaging 150 BOPD, 0 BWPD, and 100 MCFD on 14/64" choke with a FTP of 200#.

Well No. 1 was pumping from Vada Penn (9800') and averages 50 BOPD, 50 BWPD, and 60 MCFD. Currently Well No. 1 is shut-in awaiting approval of this application, in order for PENROC to produce both wells in a common tank battery.

Both Well No. 1 and 2 has common royalty interest (12.5% for the Ainsworth) and have common working interest owners. Enclosed is:

- (1) Ownership map showing the lease.
 - (2) Perforations and API gravity of both crudes.
 - (3) A schematic of surface facilities showing the two oil tanks, water tank, heater treater and other associated facilities.
- Well No. 2 will be tested through a test separator which has a non-reset metering device. The production for Well No. 1 will

Mr. William J. Lemay
New Mexico Oil Conservation Division
Page 2

be determined by taking the difference between total production and well test on No. 2.

An early approval will be greatly appreciated. Thank you.

Sincerely,

PENROC OIL CORPORATION


M. Y. (Merch) Merchant
President

MYM/lm

CC: (1) Norwest Bank
(2) Evergreen
(3) File

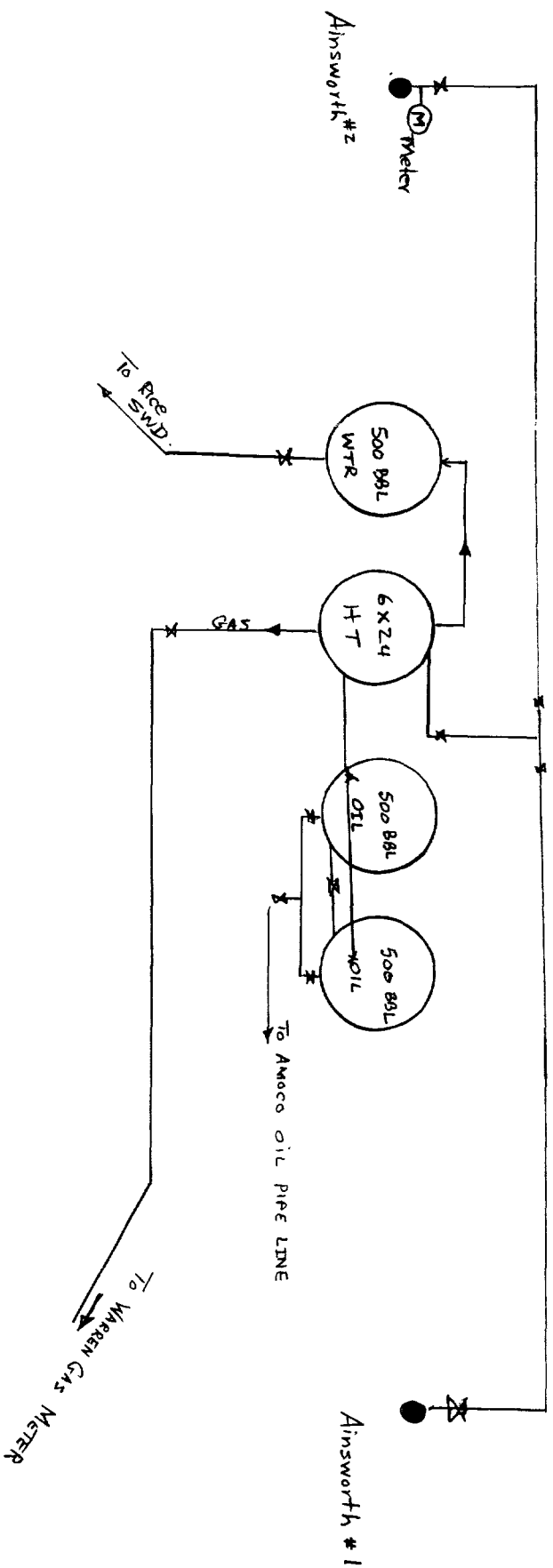
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PENROC OIL CORPORATION

AINSWORTH LEASE
Section 35, T9S, R33E
Lea County, New Mexico

<u>WELL NO.</u>	<u>FORMATION AND PERFORATIONS</u>	<u>GRAVITY OF OIL</u>
1	Vada Penn	46° API
2	Lane Abo	40° API

Ainsworth Wells 1 & 2
Sec. 35, T9S, R33E
Lea County, New Mexico



PENROC

Penroc Oil Corporation / P. O. Box 5970 / Hobbs, New Mexico 88241 / Telephone (505) 397-3596 / Telecopier (505) 393-7051

July 22, 1988

New Mexico Oil Conservation Division
P. O. Box 2088
Santa Fe, New Mexico 87501

Attn: Mr. David Catanach

Re: Application requesting administrative approval
to Rule 303
Ainsworth Lease
Section 35, Township 9 South, Range 33 East
Lea County, New Mexico

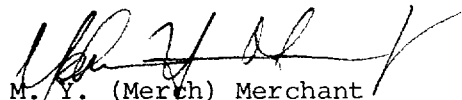
Dear Mr. Catanach:

As a follow up to PENROC OIL CORPORATION'S application for administrative approval for the surface commingling of production on the Ainsworth Lease, PENROC certifies the commingling will not adversely effect the value of production.

Thank you for your cooperation and I look forward to an early approval.

Sincerely,

PENROC OIL CORPORATION


M. Y. (Merch) Merchant
President

MYM/br