

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION
 - Engineering Bureau -
 1220 South St. Francis Drive, Santa Fe, NM 87505



ADMINISTRATIVE APPLICATION CHECKLIST

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

Application Acronyms:

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]**
[DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
[PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
[WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
[SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
[EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] **TYPE OF APPLICATION - Check Those Which Apply for [A]**
 [A] Location - Spacing Unit - Simultaneous Dedication
 NSL NSP SD
- Check One Only for [B] or [C]
 [B] Commingling - Storage - Measurement
 DHC CTB PLC PC OLS OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery
 WFX PMX SWD IPI EOR PPR
- [D] Other: Specify _____
- [2] **NOTIFICATION REQUIRED TO: - Check Those Which Apply, or Does Not Apply**
 [A] Working, Royalty or Overriding Royalty Interest Owners
 [B] Offset Operators, Leaseholders or Surface Owner
 [C] Application is One Which Requires Published Legal Notice
 [D] Notification and/or Concurrent Approval by BLM or SLO
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
 [E] For all of the above, Proof of Notification or Publication is Attached, and/or,
 [F] Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

_____ Print or Type Name	_____ Signature	_____ Title	_____ Date
_____ e-mail Address			

PENROC Oil Corporation

Phone: (505) 492-1236
Fax : (505) 492-1237

P.O. Box: 2769, 1515 Calle Sur, Hobbs, NM 88241-2769.
July 7, 2005

mymerch@hotmail.com

New Mexico Oil Conservation Division
1220 South St. Francis Dr.
Santa Fe, NM 87505

**Re: Request for Amendment of Surface Commingling Order CTB-442
Harris State (Lse #K-362), State II-23 (Lse #OG5084), New Mexico E State
(Lse # OG 671), Sections 23 & 26, Lea County, New Mexico**

Attn: Mr. David Catanach

2005 JUL 11 PM 12 25

Dear David:

Penroc Oil Corporation is requesting an amendment to the captioned by adding its New Mexico E State Lease to the previously approved surface commingling order # CTB-442. New Mexico E State Lease is 100% WI and has State mineral ownership just like the Harris State and State II-23.

All above are stripper leases and it makes economic sense to commingle the production by using the State II-23 battery, thereby increasing life of production, benefiting the State of New Mexico as well as Penroc Oil. Following are additional details:

Operator: Penroc Oil Corporation
OGRID: 017213
Well Names: Harris No. 1, 2, 3 Y
& 4; State II-23 1, 2, 3, 4, 5 & 6; New Mexico E State 1, 2, 3, 4 & 5

The leases will be commingled as shown on the attached sketch. Wells will be tested via the header system and test separator.

Working Interest in all leases: 100% Penroc Oil Corporation

Royalty Interest in all leases: 12.5% State of New Mexico

Field: Mescalero San Andres, Producing Zone: San Andres

A copy of this application is being sent to New Mexico State Land Office. An early approval of the same will be greatly appreciated.

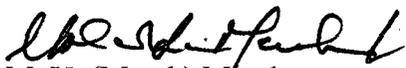
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Request for amendment of Surface Commingling Order CTB-442

Harris State, State II-23 & New Mexico E State Leases

Sections 23 & 26, Lea County, New Mexico

Sincerely,

A handwritten signature in black ink, appearing to read "M. Y. (Merch) Merchant". The signature is fluid and cursive, with a prominent initial "M" and a long, sweeping underline.

M. Y. (Merch) Merchant

President

CC: New Mexico State Land Office

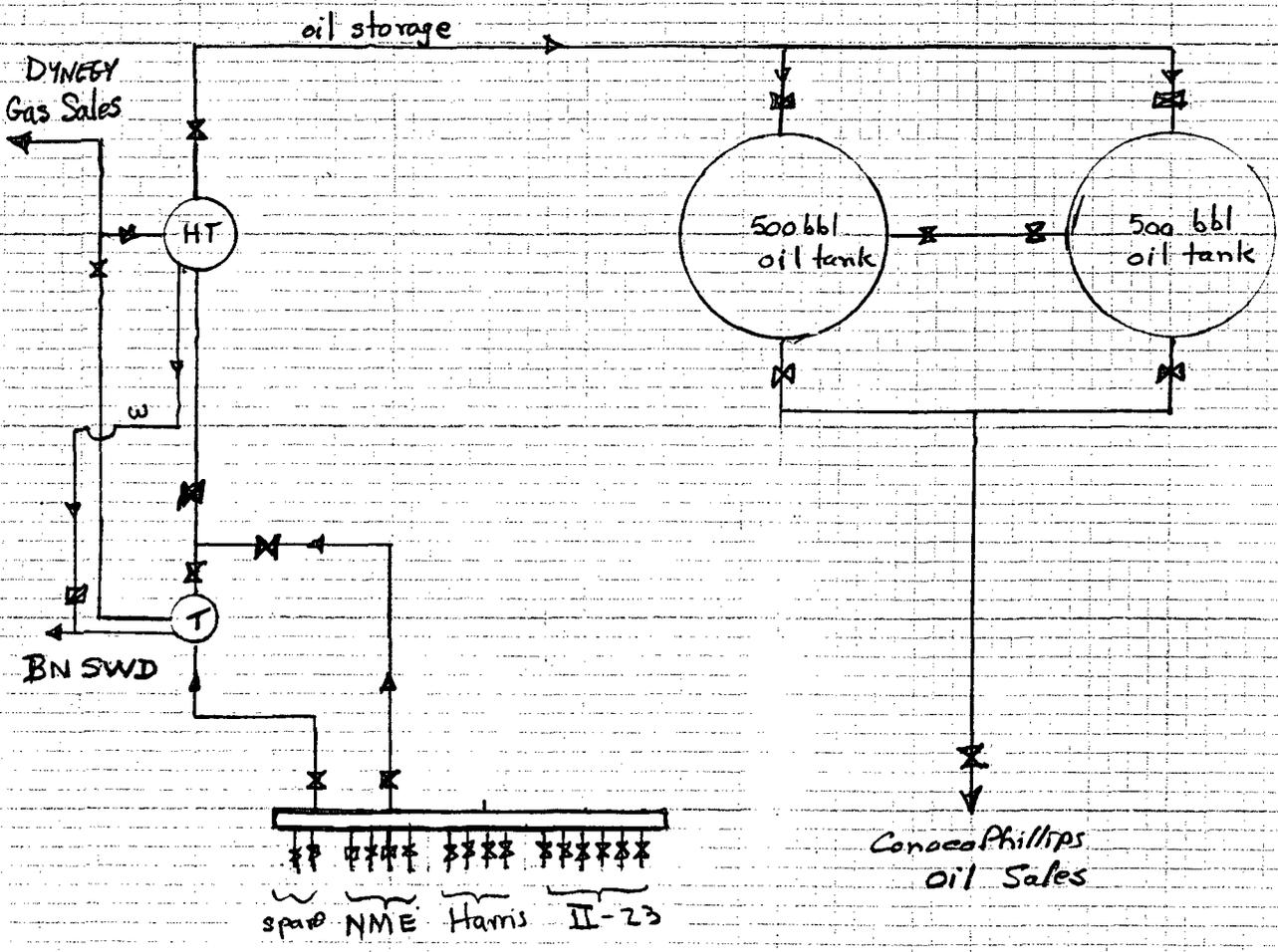
NMOCD-Hobbs Office

Amendment to Commingling Order No. CTB-442
Harris State (Lse# K-362), State II-23 (Lse# OG-5084)

New Mexico 'E' State (Lse# OG-671)

Sec. 23 & 26, T-10-S, R-32-E

Lea County, New Mexico





NEW MEXICO ENERGY, MINERALS
& NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION
2040 South Pacheco Street
Santa Fe, New Mexico 87505
(505) 827-7131

COMMINGLING ORDER CTB-442

Penroc Oil Corporation
P.O. Box 5970
Hobbs, New Mexico 88241-5970

Attention: M.Y. (Merch) Merchant

The above named company is hereby authorized to commingle Mescalero San Andres Pool production from the following Leases:

Lease: Harris State (Lease No.K-362)
Description: E/2 SW/4 and W/2 SE/4 of Section 23, and,

Lease: State II-23 (Lease No.OG-5084)
Description: W/2 of Section 22,

both in Township 10 South, Range 32 East, Lea County, New Mexico.

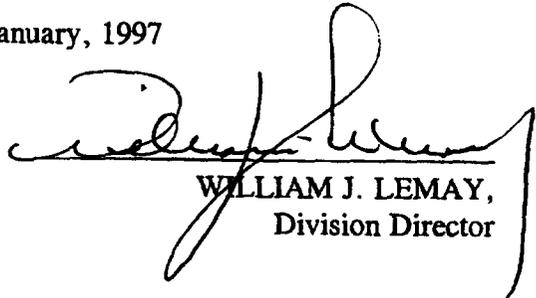
Production shall be allocated to each lease by well tests. (If this method or the subtraction method is to be authorized, all commingled production must be of identical ownership including working interest, royalty interest, and overriding royalty interest.)

NOTE: This installation shall be installed and operated in accordance with the applicable provisions of Rule 303 of the Division Rules and Regulations and the Division "Manual for the Installation and Operation of Commingling Facilities." It is the responsibility of the producer to notify the transporter of this commingling authority.

FURTHER: The operator shall notify the Hobbs district office upon implementation of the commingling process.

REMARKS: Commingled production shall be stored at a tank battery facility at the Harris State Lease located in Section 23, Township 10 South, Range 32 East, NMPM, Lea County, New Mexico.

DONE at Santa Fe, New Mexico, on this 22nd day of January, 1997


WILLIAM J. LEMAY,
Division Director

WJL/BES
cc: Oil Conservation Division - Hobbs