

December 6, 1996

Mr. Bill LeMay
NEW MEXICO OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

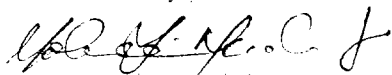
Re: REQUEST FOR ADMINISTRATIVE APPROVAL
EXCEPTION TO RULE 309-A
Harris State & State 11-23 Leases (K-362 & OG 5084)
Sections 23 and 23, T-10-S, R-32-E
Lea County, New Mexico

PENROC OIL CORPORATION requests administrative approval for surface commingling of the above two (2) State Leases:

- 1) All production is from one common source of Mescalero San Andres Pool;
- 2) Both are stripper (3 BOPD) wells and production for each can be adequately tested as shown on the attached facility diagram;
- 3) State of New Mexico is the only party owning an interest in the above (12.5% royalty);
- 4) By certified copy of this application the State Land Office is being notified of our intent for commingled production;
- 5) PENROC OIL CORPORATION is 50% working interest owner of both leases. The other 50% owner is our corporate partner, Harcor Energy, Inc. and they are in full agreement for this cost saving and surface cleanup mechanism.

Your approval to the above after a period of 20 days following receipt of the same, will be very much appreciated. The battery at Harris is very old and removal of same will get rid of an eye sore.

Sincerely,



M. Y. (Merch) Merchant
President

cc: State Land Office - Santa Fe
attchs: (1) Facility Diagram
(2) Lease Map

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MM
12/6/96

SURFACE COMMINGLING OF COMMON OWNERSHIP

STATE II-23 & HARRIS STATE (OG-5084 & K-362)

SEC. 23, T. 10-S, R. 32E

LEA COUNTY, NM

