

PENROC

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

RECEIVED

AUG 21 1989

OIL CONSERVATION DIV.
SANTA FE

August 15, 1989

State of New Mexico
Oil Conservation Division
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

Attention: David R. Catanach

Re: Application for Administrative Approval
Authority for Produced Water Disposal
Lea State "403" Well No. 5
Unit F, Sec. 17, T 18 S, R 35 E
Lea County, New Mexico

Gentlemen:

Penroc Oil Corporation is enclosing a form C-108 and the required attachments for an administrative approval to dispose produced water from Penroc well located on the same lease as well as an off-setting Penroc well in section 8. Please note both are state leases.

Penroc has an active disposal on the off-setting lease in section 8, namely State "AF" well No. 3 which is disposing in the wolfcamp formation on vacuum. An additional disposal was approved at State "AF" No. 2 which is currently awaiting partner approval.

Penroc plans to re-enter and convert Lea "403" No. 5 to disposal in the wolfcamp just like the "AF" lease in order to produce 65 BOPD from the "403" well No. 4 and "4011" well No. 1.

Your approval at its earliest will be greatly appreciated.

Sincerely,


M. Y. (Merch) Merchant
President

Enc
dm

APPLICATION FOR AUTHORIZATION TO INJECT

I. Purpose: Secondary Recovery Pressure Maintenance Disposal Storage
Application qualifies for administrative approval? yes no

II. Operator: PENROC OIL CORPORATION

Address: P. O. BOX 5970, HOBBS, NEW MEXICO 88241

Contact party: M. Y. (MERCH) MERCHANT Phone: (505) 397-3596

III. Well data: Complete the data required on the reverse side of this form for each well proposed for injection. Additional sheets may be attached if necessary.

IV. Is this an expansion of an existing project? yes no
If yes, give the Division order number authorizing the project _____.

V. Attach a map that identifies all wells and leases within two miles of any proposed injection well with a one-half mile radius circle drawn around each proposed injection well. This circle identifies the well's area of review. *ATTACHED*

* VI. Attach a tabulation of data on all wells of public record within the area of review which penetrate the proposed injection zone. Such data shall include a description of each well's type, construction, date drilled, location, depth, record of completion, and a schematic of any plugged well illustrating all plugging detail. *ATTACHED*

VII. Attach data on the proposed operation, including:

1. Proposed average and maximum daily rate and volume of fluids to be injected;
2. Whether the system is open or closed;
3. Proposed average and maximum injection pressure;
4. Sources and an appropriate analysis of injection fluid and compatibility with the receiving formation if other than reinjected produced water; and
5. If injection is for disposal purposes into a zone not productive of oil or gas at or within one mile of the proposed well, attach a chemical analysis of the disposal zone formation water (may be measured or inferred from existing literature, studies, nearby wells, etc.). *ATTACHED*

*VIII. Attach appropriate geological data on the injection zone including appropriate lithologic detail, geological name, thickness, and depth. Give the geologic name, and depth to bottom of all underground sources of drinking water (aquifers containing waters with total dissolved solids concentrations of 10,000 mg/l or less) overlying the proposed injection zone as well as any such source known to be immediately underlying the injection interval. *ATTACHED*

IX. Describe the proposed stimulation program, if any.

* X. Attach appropriate logging and test data on the well. (If well logs have been filed with the Division they need not be resubmitted.) *COPY OF THE LOG ATTACHED*

* XI. Attach a chemical analysis of fresh water from two or more fresh water wells (if available and producing) within one mile of any injection or disposal well showing location of wells and dates samples were taken. *ATTACHED*

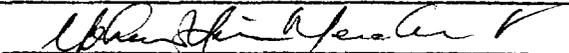
XII. Applicants for disposal wells must make an affirmative statement that they have examined available geologic and engineering data and find no evidence of open faults or any other hydrologic connection between the disposal zone and any underground source of drinking water. *ATTACHED*

XIII. Applicants must complete the "Proof of Notice" section on the reverse side of this form.

XIV. Certification

I hereby certify that the information submitted with this application is true and correct to the best of my knowledge and belief.

Name: MOHAMMED YAMIN MERCHANT Title: PRESIDENT

Signature:  Date: AUGUST 14, 1989

* If the information required under Sections VI, VIII, X, and XI above has been previously submitted, it need not be duplicated and resubmitted. Please show the date and circumstance of the earlier submittal. _____

III. WELL DATA

A. The following well data must be submitted for each injection well covered by this application. The data must be both in tabular and schematic form and shall include:

- (1) Lease name; Well No.; location by Section, Township, and Range; and footage location within the section.
- (2) Each casing string used with its size, setting depth, sacks of cement used, hole size, top of cement, and how such top was determined.
- (3) A description of the tubing to be used including its size, lining material, and setting depth.
- (4) The name, model, and setting depth of the packer used or a description of any other seal system or assembly used.

Division District offices have supplies of Well Data Sheets which may be used or which may be used as models for this purpose. Applicants for several identical wells may submit a "typical data sheet" rather than submitting the data for each well.

B. The following must be submitted for each injection well covered by this application. All items must be addressed for the initial well. Responses for additional wells need be shown only when different. Information shown on schematics need not be repeated.

- (1) The name of the injection formation and, if applicable, the field or pool name.
- (2) The injection interval and whether it is perforated or open-hole.
- (3) State if the well was drilled for injection or, if not, the original purpose of the well.
- (4) Give the depths of any other perforated intervals and detail on the sacks of cement or bridge plugs used to seal off such perforations.
- (5) Give the depth to and name of the next higher and next lower oil or gas zone in the area of the well, if any.

XIV. PROOF OF NOTICE

All applicants must furnish proof that a copy of the application has been furnished, by certified or registered mail, to the owner of the surface of the land on which the well is to be located and to each leasehold operator within one-half mile of the well location.

Where an application is subject to administrative approval, a proof of publication must be submitted. Such proof shall consist of a copy of the legal advertisement which was published in the county in which the well is located. The contents of such advertisement must include:

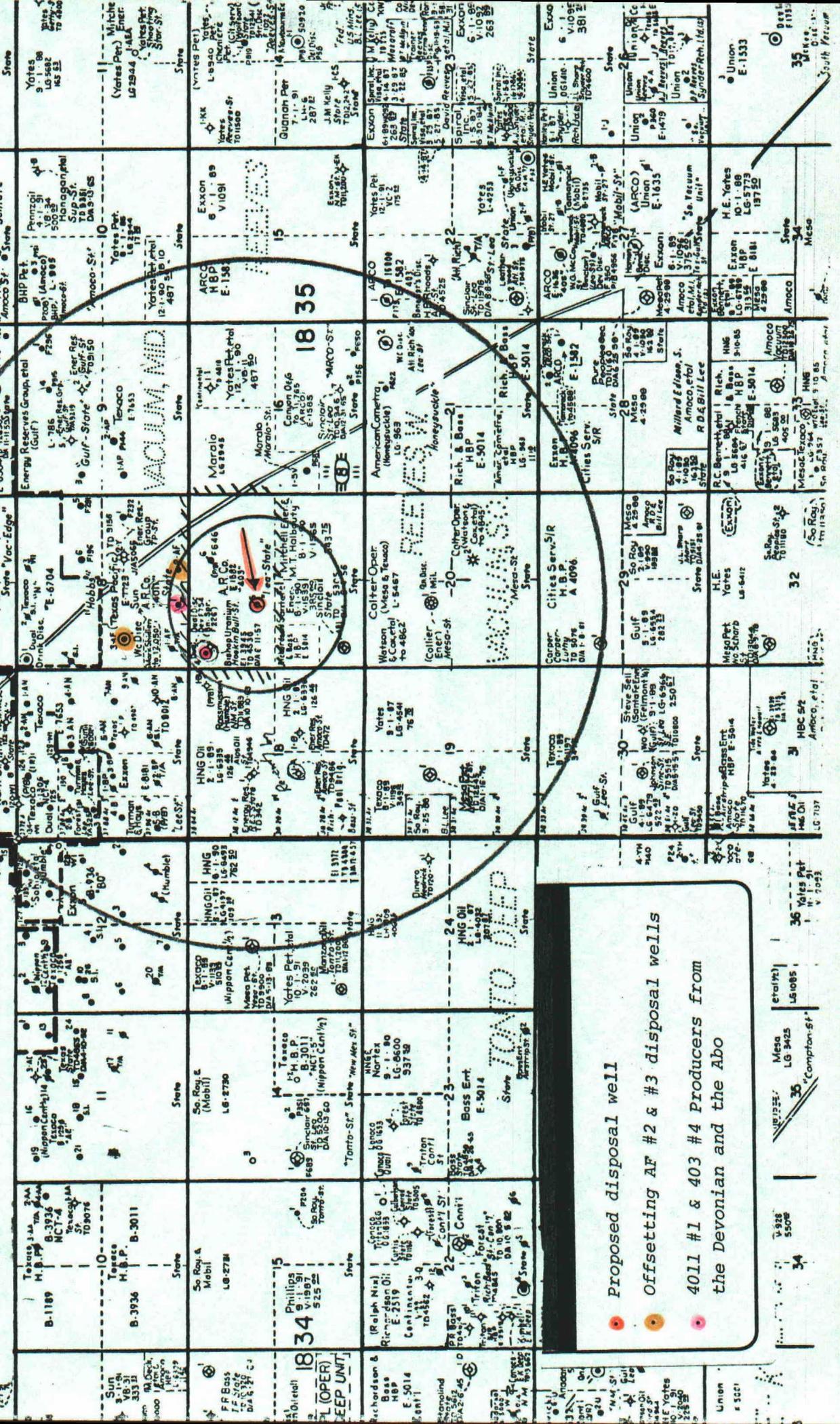
- (1) The name, address, phone number, and contact party for the applicant;
- (2) the intended purpose of the injection well; with the exact location of single wells or the section, township, and range location of multiple wells;
- (3) the formation name and depth with expected maximum injection rates and pressures; and
- (4) a notation that interested parties must file objections or requests for hearing with the Oil Conservation Division, P. O. Box 2088, Santa Fe, New Mexico 87501 within 15 days.

NO ACTION WILL BE TAKEN ON THE APPLICATION UNTIL PROPER PROOF OF NOTICE HAS BEEN SUBMITTED.

NOTICE: Surface owners or offset operators must file any objections or requests for hearing of administrative applications within 15 days from the date this application was mailed to them.

**PENROC OIL CORPORATION
OWNERSHIP MAP**

**LEA STATE "403" & 4011 LEASES
AND THE OFFSETS**



Proposed disposal well
 Offsetting AF #2 & #3 disposal wells
 4011 #1 & 403 #4 Producers from
 the Devonian and the Abo

34
 35
 36

AFFIDAVIT OF PUBLICATION

State of New Mexico,
County of Lea.

I, George W. Moore

of the Hobbs Daily News-Sun, a daily newspaper published at Hobbs, New Mexico, do solemnly swear that the clipping attached hereto was published once a week in the regular and entire issue of said paper, and not a supplement thereof for a period

of _____

One weeks.
Beginning with the issue dated

August 14, 19 89
and ending with the issue dated

August 14, 19 89

George W. Moore
Publisher.

Sworn and subscribed to before

me this 17th day of

August, 19 89

Lochi Morris
Notary Public.

My Commission expires _____

September 30, 19 89

(Seal)

This newspaper is duly qualified to publish legal notices or advertisements within the meaning of Section 3, Chapter 167, Laws of 1937, and payment of fees for said publication has been made.

**55 LEGAL NOTICE
August 14, 1989
NOTICE OF
APPLICATION
FOR PRODUCED
WATER DISPOSAL
WELL PERMIT**

Penroc Oil Corporation, P. O. Box 5970, Hobbs, New Mexico 88241, Telephone: (505)397-3596, has applied to the State of New Mexico, Energy, Minerals and Natural Resources Department, Oil Conservation Division, for a permit to dispose produced salt water into a porous formation not productive of oil and gas.

The applicant proposes to dispose produced water into the Wolfcamp formation of Lea State "403" Lease, well No. 5, Unit F, Section 17, T-18-S, R-35-E, from the Lea "403" well No. 4, Unit D of the same section; as well from the Lea State "401" well No. 1, Unit N, Section 8, T-18-S, R-35-E, Lea County, New Mexico.

Produced water will be injected in strata subsurface depth interval from 9,950 feet to 10,000 feet, at a minimum rate of 2300 barrels per day and a maximum rate of 3000 barrels per day, with a minimum pressure of 0 (zero) and a maximum of 500 psig. The disposal will be accomplished through 2 1/2" plastic coated tubing with nickel coated packer at 9,000 feet. Interested parties must file objections or request for hearing with the Oil Conservation Division, P. O. Box 2088, Santa Fe, New Mexico 87501 within 15 days. M. Y. Merchant, President.

Submit to Appropriate District Office
State Lease - 6 copies
Fee Lease - 5 copies

State of New Mexico
Energy, Minerals and Natural Resources Department

Form C-101
Revised 1-1-89

OIL CONSERVATION DIVISION
P.O. Box 2088
Santa Fe, New Mexico 87504-2088

DISTRICT I
P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
P.O. Drawer DD, Artesia, NM 88210

DISTRICT III
1000 Rio Brazos Rd., Aztec, NM 87410

API NO. (assigned by OCD on New Wells)
5. Indicate Type of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.

APPLICATION FOR PERMIT TO DRILL, DEEPEN, OR PLUG BACK

1a. Type of Work: DRILL <input type="checkbox"/> RE-ENTER <input checked="" type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/>	7. Lease Name or Unit Agreement Name LEA STATE "403"
b. Type of Well: OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> OTHER Salt water disposal <input type="checkbox"/> SINGLE ZONE <input checked="" type="checkbox"/> MULTIPLE ZONE <input type="checkbox"/>	8. Well No. 5
2. Name of Operator PENROC OIL CORPORATION	9. Pool name or Wildcat Mid-vacuum Wolfcamp
3. Address of Operator P. O. BOX 5970, HOBBS, NEW MEXICO 88241	

4. Well Location
Unit Letter F : 1980 Feet From The west Line and 1980 Feet From The north Line
Section 35 Township 17 S Range 35 East NMPM Lea County

10. Proposed Depth 10,500 feet	11. Formation Wolfcamp	12. Rotary or C.T. Workover rig
13. Elevations (Show whether DF, RT, GR, etc.) 3940 GL	14. Kind & Status Plug. Bond Blanket	15. Drilling Contractor N/A
16. Approx. Date Work will start August 29, 1989		

17. PROPOSED CASING AND CEMENT PROGRAM

SIZE OF HOLE	SIZE OF CASING	WEIGHT PER FOOT	SETTING DEPTH	SACKS OF CEMENT	EST. TOP
17 1/2"	13 3/8"	48	382	400	surface
12 1/4"	9 5/8"	36 & 40	4013	1800	surface
7 7/8"	5 1/2"	17 & 20	11823	1747	4250'

Move in rig approximately August 29, 1989. Remove dry hole marker, Install surface head. Drill out plugs at surface, at 9 5/8" casing shoe. Install BOP. Washover and dress off 5 1/2" casing stub. Run casing bowl and 4250' of 5 1/2" casing. Install casing head. Drill out retainer at 7800' and cement below to 10,500'. Circulate hole clean. Perforate 9950-10,000'. Acidize if necessary. Run and set 5 1/2" nickel coated injection packer at 9900'. Load back side with pkr. fluid. Prepare for injection.

IN ABOVE SPACE DESCRIBE PROPOSED PROGRAM: IF PROPOSAL IS TO DEEPEN OR PLUG BACK, GIVE DATA ON PRESENT PRODUCTIVE ZONE AND PROPOSED NEW PRODUCTIVE ZONE. GIVE BLOWOUT PREVENTER PROGRAM, IF ANY.

I hereby certify that the information above is true and complete to the best of my knowledge and belief.

SIGNATURE Mohammed Yamin Merchant TITLE President DATE August 14, 1989
TYPE OR PRINT NAME Mohammed Yamin Merchant TELEPHONE NO. 505-397-3596

(This space for State Use)

APPROVED BY _____ TITLE _____ DATE _____

CONDITIONS OF APPROVAL, IF ANY:

Submit to Appropriate District Office
 State Lease - 4 copies
 Fee Lease - 3 copies

State of New Mexico
 Energy, Minerals and Natural Resources Department

Form C-102
 Revised 1-1-89

OIL CONSERVATION DIVISION

P.O. Box 2088
 Santa Fe, New Mexico 87504-2088

DISTRICT I
 P.O. Box 1980, Hobbs, NM 88240

DISTRICT II
 P.O. Drawer DD, Artesia, NM 88210

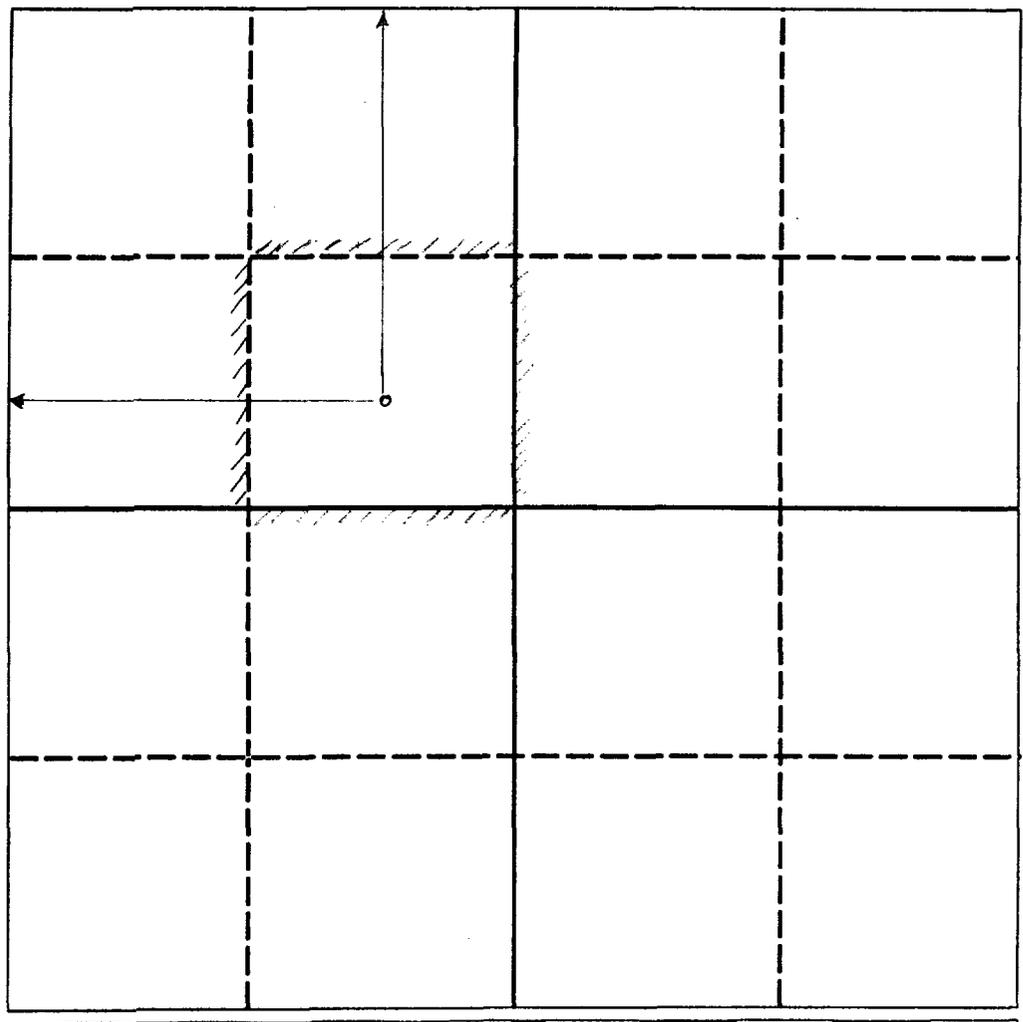
DISTRICT III
 1000 Rio Brazos Rd., Aztec, NM 87410

WELL LOCATION AND ACREAGE DEDICATION PLAT

All Distances must be from the outer boundaries of the section

Operator <i>Penroc Oil Corporation</i>			Lease <i>Lea State "403"</i>		Well No. <i>5</i>
Unit Letter <i>F</i>	Section <i>17</i>	Township <i>18 south</i>	Range <i>35 east</i>	County <i>Lea</i>	
Actual Footage Location of Well: <i>1980</i> feet from the <i>west</i> line and <i>1980</i> feet from the <i>north</i> line					
Ground level Elev. <i>3940'</i>	Producing Formation <i>none</i>		Pool <i>Mid-Vacuum Wolfcamp</i>		Dedicated Acreage: <i>40</i> Acres

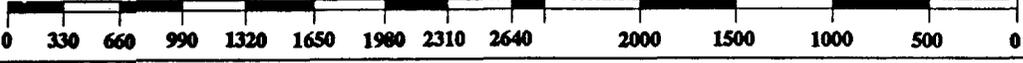
- Outline the acreage dedicated to the subject well by colored pencil or hachure marks on the plat below.
- If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
- If more than one lease of different ownership is dedicated to the well, have the interest of all owners been consolidated by communitization, unitization, force-pooling, etc?
 Yes No If answer is "yes" type of consolidation _____
 If answer is "no" list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary). _____
 No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interest, has been approved by the Division.



OPERATOR CERTIFICATION
 I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.
Mohammed Yamin Merchant
 Signature
 Mohammed Yamin Merchant
 Printed Name
 President
 Position
 Penroc Oil Corporation
 Company
 August 14, 1989
 Date

SURVEYOR CERTIFICATION
 I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.
 Date Surveyed
 3-30-63
 Signature & Seal of Professional Surveyor
 JOHN W WEST OF
 JOHN WEST ENG

Certificate No. _____



ATTACHMENT TO FORM C-108

PART III A. 1-4 Attached

- PART III B.
1. The formation to be injected into is the Wolfcamp, in the Vacuum Pool, as in the north off-setting disposal well namely State AF well No. 3. (Unit L, Sec.8)
 2. The injection interval is 9950-10,000 feet, and it will be perforated.
 3. The well was drilled as an oil well in the year 1963 and completed as a producer in the Devonian formation,
 4. Attached.
 5. The next lower oil and/or gas zone is the Devonian at 11,770-11,807'; and the upper zone zones from 9480-9535' and 7897-7904' were non-productive of oil and or gas.

- PART VII
1. Average daily rate will be 2300 BWPD with a maximum of 3000 BWPD.
 2. This will be a closed system.
 3. Average injection pressure will be 0 (zero) with a maximum of 500 psig.
 4. The source of water will be from the Devonian formation at Penroc operated Lea "4011" well No. 1, located in Unit N, section 8, T 18 S, R 35 E; and from the Abo formation at Penroc operated Lea State "403" well No.4 located in unit D of the same section where the disposal well will be. (WATER ANALYSIS ATTACHED.)

PART VIII

The proposed injection zone is the Wolfcamp; lithology is clean limestone. The top of the Wolfcamp 9560(-5620'), and the injection zone will be 9950-10,000'. The only fresh water in the area is the Ogallala at 200-250 feet surface and there is no fresh water known below the injection zone.

PART IX

Plans are to acidize the interval from 9950-10000 feet with 2000 gallons of 15% HCL acid.

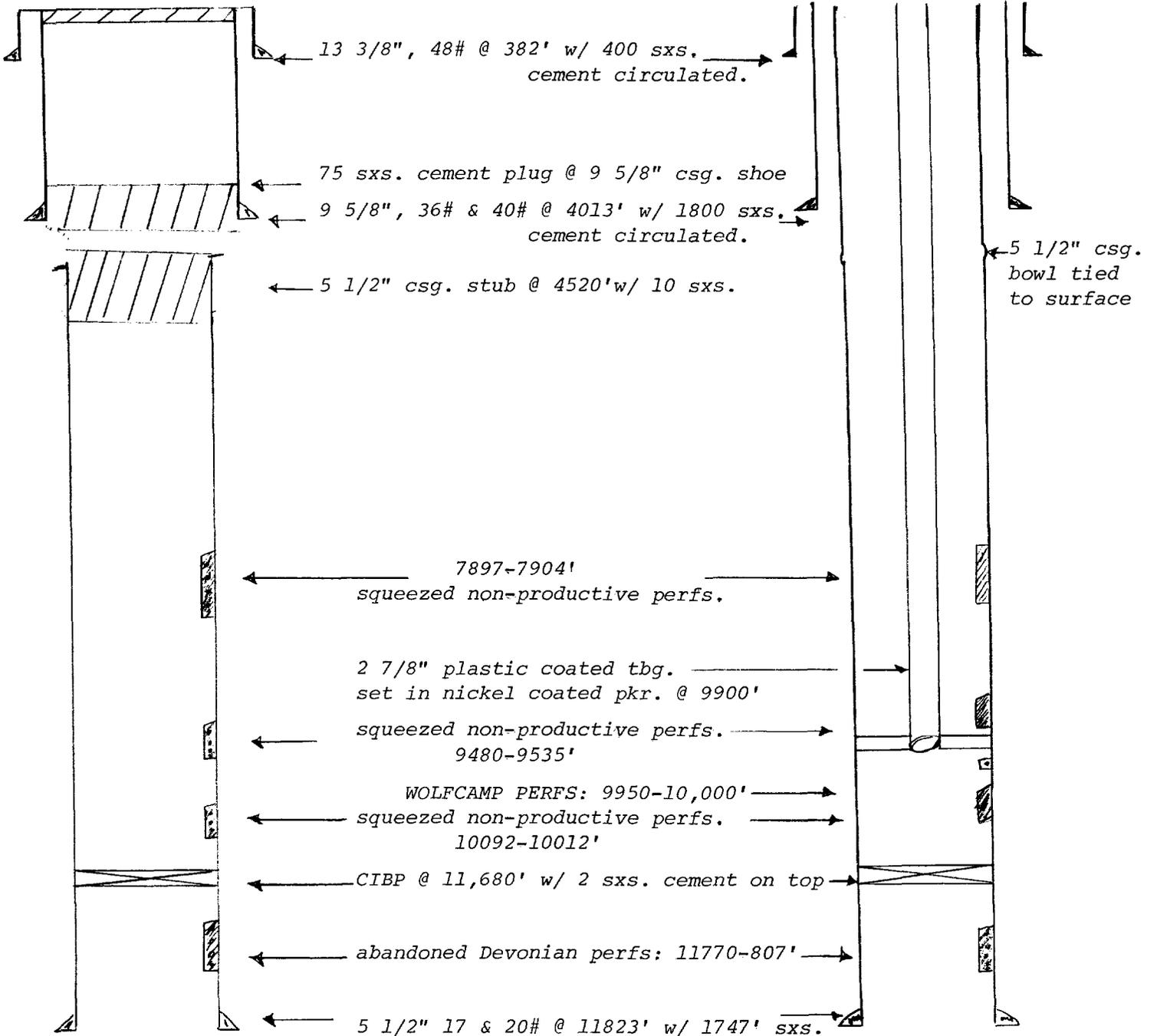
PART XII

PENROC OIL CORPORATION has examined available geologic and engineering data and finds no evidence of open faults or any other hydrologic connection between the disposal and any underground source of drinking water.

ARCO OIL & GAS COMPANY
LEA "403" WELL NO.5

current
well bore sketch

proposed
well bore sketch



ATTACHMENT TO FORM C-108

PENROC OIL CORPORATION

PENROC OIL CORPORATION

LEA "403" STATE WELL NO. 4

SECTION 17, T-18-S, R-35-E UNIT LETTER D

510 FNL & 510' FWL

TD 11897'

13 3/8" 48# set at 380' with 475 sxs. Cement circulated.

9 5/8" 36 & 40# set at 4000' with 1700 sxs. TOC 800' Temp Survey.

7" 23,26,29 & 32# set at 11896' with 1050 sxs. TOC 6400'. Temp Survey.

Devonian Perfs: 11652-11720 feet. Currently abandoned below the BP.

CIBP at 9550' w/ 25 sxs. cement on top.

Producing from the ABO perfs: 8807-8882'

PENROC OIL CORPORATION (Plugged by Arco Oil & Gas Company)

LEA "403" STATE WELL NO. 6

SECTION 17, T-18-S, R35E UNIT LETTER B

660' FNL & 1980' FEL

13 3/8" 48# set at 402' w/ 450 sxs. Cement circulated.

9 5/8" 36 & 40# set at 4000' with 1850 sxs. TOC 965'. Temp Survey

7 5/8" 29.7, 33.7, & 39# from 3849-10425' with 1060' sxs. Cement circulated.

5" 18# liner from 10318-11776' with 250 sxs. TOC 10360'.

Well is currently plugged. Penroc is planning to re-enter and make a commercial producer in the Devonian.

BISHOP CANYON URANIUM CORPORATION

HOOKING BULL NO. 1

SECTION 17-T-18-S, R35-E

660 FNL & 660 FWL

TD: 4530' SAN ANDRES

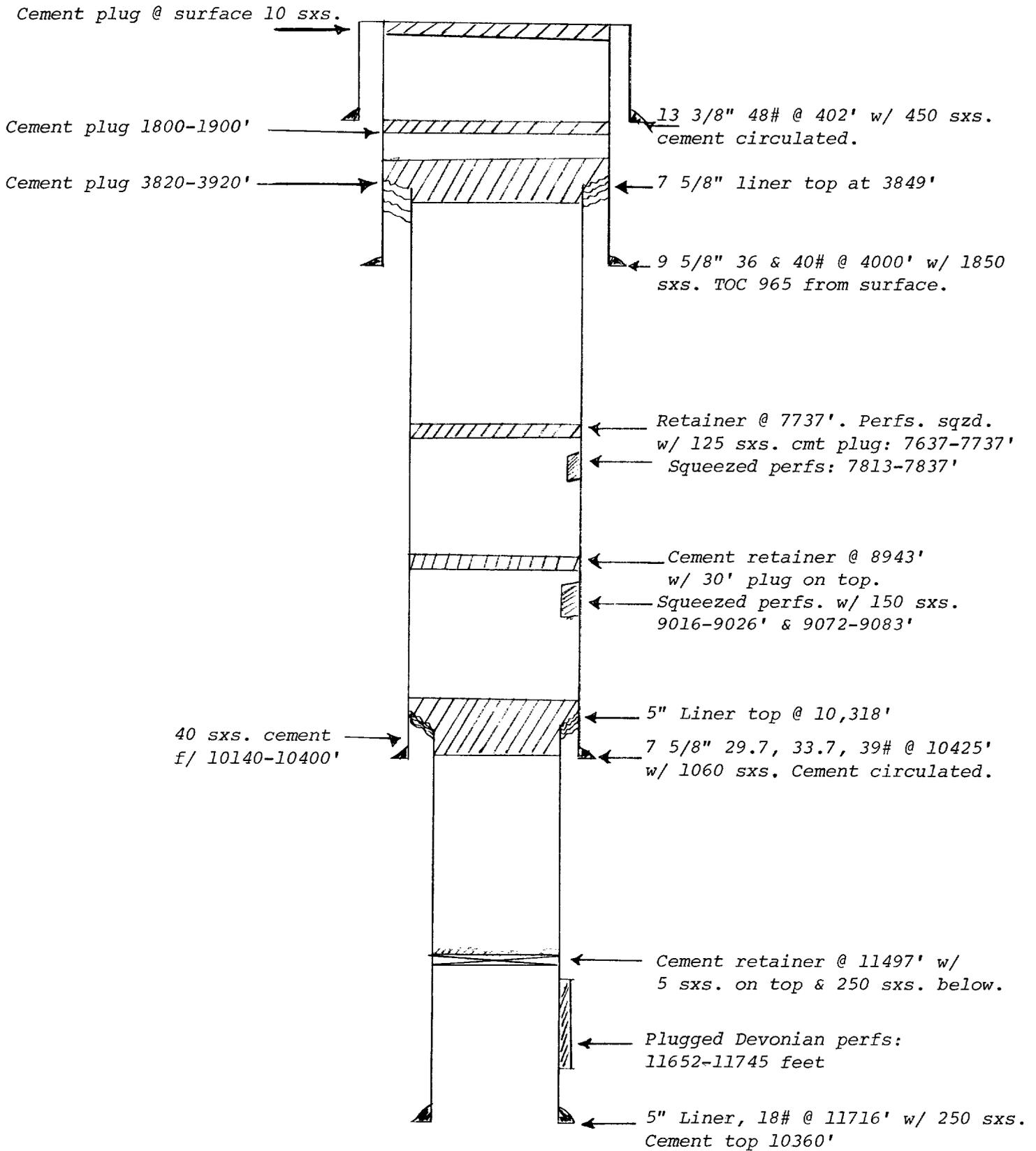
WELL WAS A DRY HOLE. PLUGGED.

8 5/8" 24# set at 321'. Cement circulated.

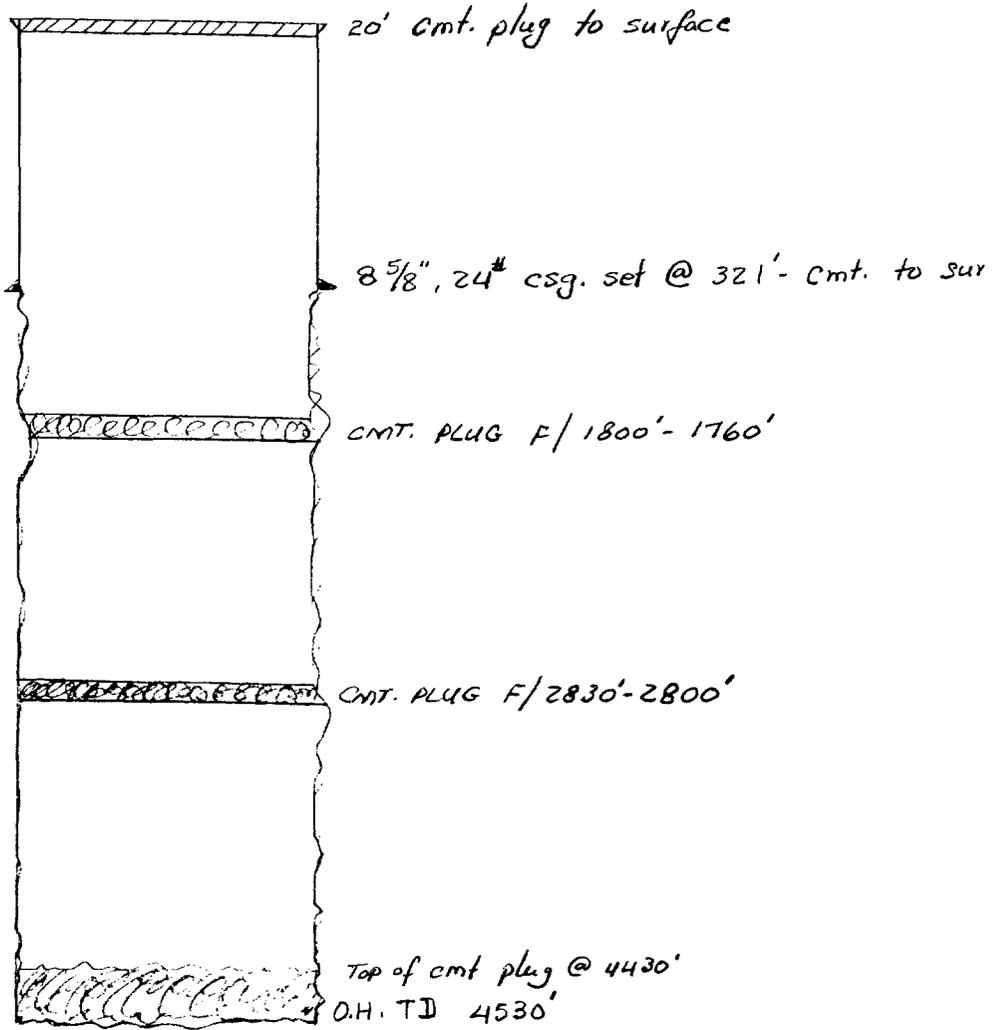
ARCO OIL & GAS COMPANY (PART OF PENROC ACREAGE)

LEA STATE #403" WELL NO. 6

SEC.17, T-18-S, R-35-E



BISHOP CANYON URANIUM CORP.
HOOKIN BULL NO. 1
SEC. 17, T18S, R35E - UNIT D



HALLIBURTON DIVISION LABORATORY
 HALLIBURTON COMPANY
 MIDLAND DIVISION
 LOVINGTON, NEW MEXICO 88260
LABORATORY WATER ANALYSIS

No. _____

To _____

Date 3-14-57

This report is the property of Halliburton Company and neither it nor any part thereof nor a copy thereof is to be published or disclosed without first securing the express written approval of laboratory management, it may however, be used in the course of regular business operations by any person or concern and employees thereof receiving such report from Halliburton Company.

Submitted by _____ Date Rec. _____

Well No. _____ Depth 4,700' Formation San Andres

County _____ Field Buckeye (Vacuum) Source _____

Resistivity	<u>0.050 @ 74°F.</u>	
Specific Gravity	<u>1.139</u>	
pH	<u>6.8</u>	
Calcium (Ca)	<u>2,120</u>	*MPL*
Magnesium (Mg)	<u>898</u>	
Chlorides (Cl)	<u>123,000</u>	
Sulfates (SO ₄)	<u>3,400</u>	
Bicarbonates (HCO ₃)	<u>165</u>	
Soluble Iron (Fe)	<u>Nil</u>	
Sodium, Na	<u>77,400</u>	

Remarks: _____ *Milligrams per liter

Respectfully submitted,

Analyst: _____
 cc: _____

HALLIBURTON COMPANY

By _____
 DIVISION CHEMIST

NOTICE

This report is limited to the described sample tested. Any user of this report agrees that Halliburton shall not be liable for any loss or damage, whether it be to act or omission, resulting from such report or its use.

HOBBS, NEW MEXICO 88240
LABORATORY WATER ANALYSIS

No. WS-87-243

Mr. M. Y. Merchant

Date 12-12-87

PENROC

This report is the property of Halliburton Company and neither it nor any part thereof nor a copy thereof is to be published or disclosed without first securing the express written approval of laboratory management; it may however, be used in the course of regular business operations by any person or concern and employees thereof receiving such report from Halliburton Company.

P. O. Box 5970

Hobbs NM 88240

Submitted by M.Y. Merchant

Date Rec. 12-10-87

Well No. N.A.

Depth N.A.

Formation _____

County Lea Co. NM

Field Buckeye Area

Source water well / Devonian well

	<u>water well</u>	<u>Devonian well</u>
Specific Gravity	<u>3.41 @ 68°F</u>	<u>.09 @ 68°F</u>
Specific Gravity	<u>1.002</u>	<u>1.066</u>
Temperature	<u>7.2</u>	<u>7.6</u>
Calcium (Ca)	<u>45</u>	<u>2150</u> *MPL
Magnesium (Mg)	<u>30</u>	<u>330</u>
Chlorides (Cl)	<u>950</u>	<u>55000</u>
Sulfates (SO ₄)	<u>nil</u>	<u>heavy</u>
Carbonates (HCO ₃)	<u>240</u>	<u>1284</u>
Soluble Iron (Fe)	<u>nil</u>	<u>nil</u>

Remarks: water taken from wells in the same area for comparison purposes.

*Milligrams per liter

C. R. Moore

Charles Ray Moore

Respectfully submitted,

Analyst: crm

HALLIBURTON COMPANY

By crm

CHEMIST

NOTICE

THIS REPORT IS LIMITED TO THE DESCRIBED SAMPLE TESTED. ANY USER OF THIS REPORT AGREES THAT HALLIBURTON SHALL NOT BE LIABLE FOR ANY LOSS OR DAMAGE, WHETHER IT BE TO ACT ON OMISSION, RESULTING FROM SUCH REPORT OR ITS USE.

(Conoco)

State II-23

100% MYM

(~~for~~ now)

applied of 2nd LOE

40,000

Selling price

1,000,000 / 50,000 ARCO:

4000	12,000	20%	(AII) RARN	
1600	22,400	4%	R. D. Lee Jr.	SS# 585-03-8626
1600	22,400	4%	Leora Culp Lee	SS# 585-26-6722
1600	22,400 (Paid \$12000)	4%	Bill Lee	
4000	5,000 (advance)	10%	Petro-Minning	
2000	28,000	5%	John Bryant	

- ARCO 100%

MYM #12839965 ✓
Penroc #12839965 ✓

484527

Lea 4011. 75% (.875)

25% WI - ✓ WI

5%	15% RARN
2%	3%
	3%
	3%
	7.5%
	3.75%
	60.25%
	19.875% Penroc
	19.875% MYM
	100%

Lea 403 100% (.875)

20	RARN
	4%
	4%
	4%
	10%
	5%
	47%
	26.5% MYM
	26.5% Penroc
	100%

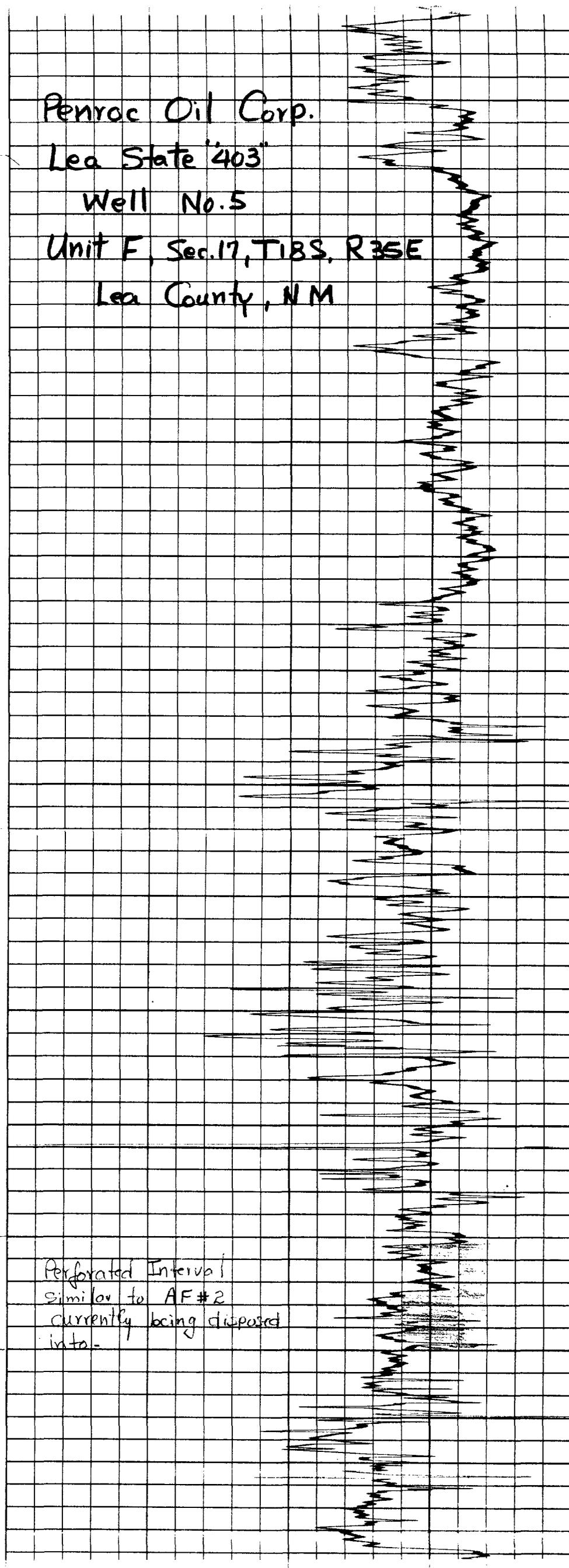
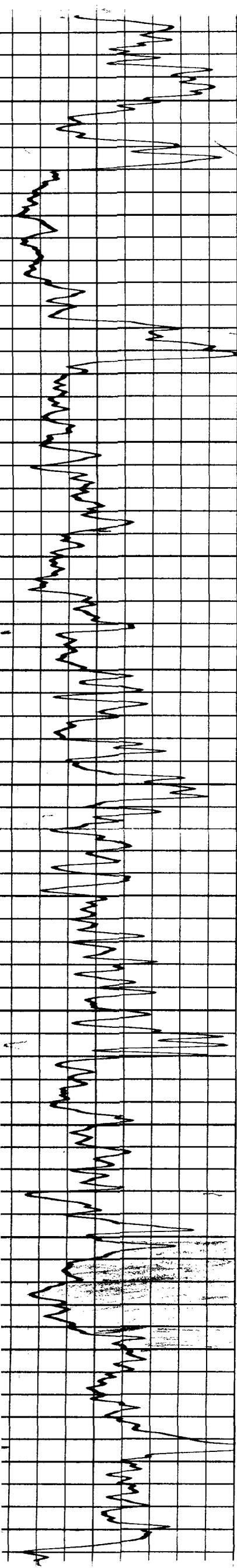
Penroc Oil Corp.

Lea State '403'

Well No. 5

Unit F, Sec. 17, T18S, R35E

Lea County, NM



Perforated Interval
similar to AF#2
currently being disposed
into -

BILL L. LEE

WEST STAR ROUTE, BOX 465
LOVINGTON, NEW MEXICO 88260

August 14, 1989

PENROC OIL CORPORATION
P. O. BOX 5970
HOBBS, NEW MEXICO 88241

ATTN: M. Y. (MERCH) MERCHANT

RE: STATEMENT OF NO OBJECTION

Dear Mr. Merchant:

This letter is to advise you that Lee Cattle Company has no objection for Penroc Oil Corporation to install salt disposal facilities at it Lea State "403" No.5 well.

Please note that the Lea "403" lease is located on State Land under lease to R.D.Lee and Bill Lee aka Lee Cattle Company.

If anyone has any questions, please do not hesitate to contact me.

Sincerely,

LEE CATTLE COMPANY

A handwritten signature in cursive script that reads "Bill L. Lee". The signature is written in dark ink and is positioned below the typed name of the company.

PENROC

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

August 17, 1989

Re: Conversion of Penroc oil Corporation
Lea State "403" Well No. 5 to a
disposal well

Dear Sir:

Please find enclosed a copy of Penroc Oil Corporation application to convert the Lea State "403" Well No. 5 well to a disposal well. This application is being furnished to you per New Mexico Conservation requirements.

No reply is required unless you object to this application. Thank you for your cooperation.

Sincerely,

PENROC OIL CORPORATION


M. Y. (Merch) Merchant
President

MYM/lm
Enclosures

CC: Texaco - Hobbs
Maralo - Midland
Enron - Midland
Santa Fe Energy Co. - Midland
Mitchell Energy - Midland
Bass Enterprises - Midland

BASS ENTERPRISES PRODUCTION CO.
3700 CLAYDESTA NATIONAL BANK, 6 DESTA DRIVE
P. O. BOX 2760
MIDLAND, TEXAS 79702

(915) 688-3300

August 24, 1989

RE: PENROC Application for Authority
for Produced Water Disposal
Lea "403" Well No. 5
Unit F, Sec 17, T18S, R35E
Lea County, New Mexico

State of New Mexico
Oil Conservation Division
P O Box 2088
Santa Fe, New Mexico 87504-2088
Attn: David R. Catanach

Dear Mr. Catanach:

Bass Enterprises Production Company has no objection for Penroc Oil Corporation to install salt water disposal facilities at their Lea State "403" No. 5 well, provided injection pressure is limited to insure hydraulic fracturing does not occur.

Very truly yours,



George A. Teer
Division Production Manager

RBS-yes
GAT/RBS:tli

RECEIVED

AUG 31 1989

OIL CONSERVATION DIV.
SANTA FE



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
 OIL CONSERVATION DIVISION
 HOBBS DISTRICT OFFICE

8-18-89

POST OFFICE BOX 1080
 HOBBS, NEW MEXICO 88401 1980
 (505) 393-6161

GABRIEL GARCIA
 GOVERNOR

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 OIL CONSERVATION DIV.
 SANTA FE

OIL CONSERVATION DIVISION
 P. O. BOX 2088
 SANTA FE, NEW MEXICO 87501

RE: Proposed:

- MC _____
- DHC _____
- NSL _____
- NSP _____
- SWD _____
- WFX _____
- PMX _____

Gentlemen:

I have examined the application for the:

<i>Penroc Oil Corp</i>	<i>Lea 403 State #5-F 17-18-35</i>		
Operator	Lease & Well No.	Unit	S-T-R

and my recommendations are as follows:

OK

Yours very truly,

Jerry Sexton
 Supervisor, District 1

/ed