

PENROC

October 11, 2000

Mr. Mark Ashley
New Mexico Oil Conservation Division
2040 Pacheco St.
Santa Fe, New Mexico 87505

CTB 11/12/00
504 29346541
OCT 13 2000

Re: Surface Commingling

**Lea 407 State Battery 2 (018979) & State AK (018990)
Section 2 & Section 3, T-21-S, R-35-E
Lea County, New Mexico**

Dear Mark:

Penroc Oil Corporation is requesting approval for surface commingling of the captioned state leases.

The data on the two leases along with the surface diagram is attached. Also Penroc and John Bryant of Hobbs, New Mexico and Clarence Stumhoffer owns the working interest and they have been notified with a copy of this letter.

Please note the production battery is located in Section 2 (Lea 407 lease). Due to very marginal nature of these wells, surface commingling will extend the life of the leases by measuring the production at a common tank battery.

If you have any questions, please call, write or e-mail me. My e-mail address is:
mymerch@leaconet.com

Thank you.

Sincerely,



M. Y. (Merch) Merchant
President

Attachments.

CC: Mr. John Bryant
Mr. Clarence Stumhoffer
STATE LAND OFFICE

MAILING ADDRESS:
PO Box 5970
Hobbs, NM
88241-5970
DELIVERY ADDRESS:
5014 Carlsbad Hwy.
Hobbs, NM
88240-1118
(505) 397-3596 Phone
(505) 393-7051 FAX

Surface Commingling of Lea State 407 & State AK

Operator: Penroc Oil Corporation

Penroc Oil Corporation

OGIRD #: 07213

07213

Well name & No. Lea State 407 #2, 4 & 6

State AK 1, 2, 3 & 4

API No.

~~30-025-03376, 30-025-03378, 30-025-24826~~

30-025-03402

30-025-03403, 30-025-03404, 30-025-03405

Location: Units F, E & D of Section 2 and Units I, P, J & O of Section 3 T-21-S, R-35-E
Lea County, New Mexico

POD #:

Oil: 2597810

Gas: 2597830

Working interest owners are same in both leases (Penroc, John Bryant, & Clarence Stumhoffer)

The State of New Mexico owns royalty interest.

Field: Eumont Yates Seven Rivers Queen

Well Tests: Lea State 407 #2: 8 bopd, 15 mcf. Well #4: 1 bopd & 20mcf, Well #6:
Shut in.

**State AK: Well No.1: 1 bopd 10 mcf, Well No. 2: 1 bopd and 10 mcf.
Well No. 3 & 4 are shut in.**

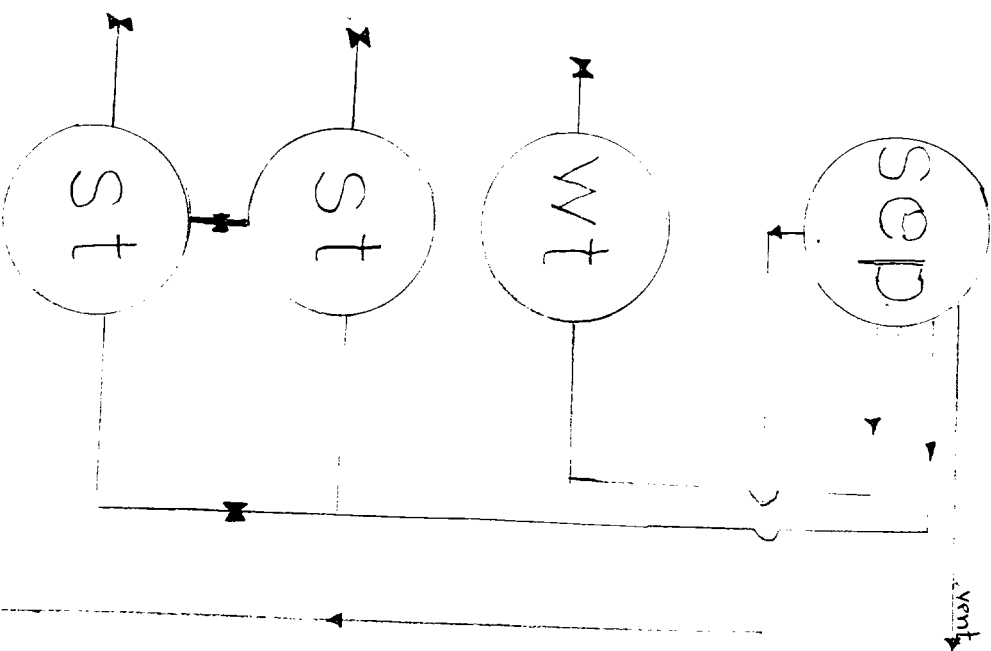
The allocation of production will be from monthly well test.

State "AK" (Sec. 3, T. 21-S, R. 35-E)

PENRAC OIL CORPORATION
Lea 407 Battery 2
Sec. 2, T. 21-S, R. 35-E
LEA COUNTY, NM
SURFACE COMMINGLING

Lea State "407"
Sec. 2, T. 21-S, R. 35-E

Oil
Sales



Will test once a month by shutting in either one of the two leases

sep separator 3 phase

wt water tank

st stock tank

Duke Gas Meter (Sales)

Ashley, Mark

From: M Y Merchant[SMTP:mymerch@leaconet.com]
Sent: Tuesday, October 24, 2000 12:47 PM
To: Ashley, Mark
Subject: Re: Surface Commingling

Mark: Sorry you had trouble with the phone line. Between the take over by the new phone company and rain, who knows! My number is: (505)397-3596 and has been the same for the past 22 years.

The location of the battery on the Ida White is almost in the middle of unit letter K and L. This is where the L.W. White is going to come in.

The location of the battery for Lea State 407 is in unit letter F of Section 2-21-35. This is where the AK will be coming to.

I hope it answers your questions. If not e-mail me again or we will talk over the phone about 2 ish. I will not be here tomorrow. Thanks for your help.

MERCH

----- Original Message -----

From: "Ashley, Mark" <MWAshley@state.nm.us>
To: "Merch Merchant" <mymerch@leaconet.com>
Sent: Tuesday, October 24, 2000 9:32 AM
Subject: Surface Commingling

> Merch,
>
> Can you tell me the exact location of the tank batteries for two surface
> commingling applications you sent to me? I tried to call you, but the
> number on you letter is no longer in service. You can call me at (505)
> 827-8183.
>
> Thanks,
> Mark
>

