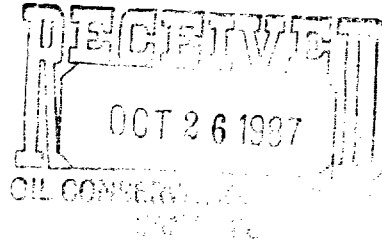


PENROC

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

October 23, 1987



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 for an exception to Rule 303;
State "AF" Lease, Sec. 8, T18 S, R35 E, Lea County, New Mexico

Gentlemen:

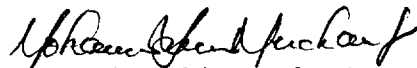
Penroc Oil Corporation as operator of the captioned lease requests an administrative approval to commingle oil production at a common tank battery.

State "AF" well No. 1 is recently completed in the Mid Vacuum Devonian and is being tested. Initial rates are 600 BOPD, 220 MCFD and 2400 BWPD. Prior to bringing No. 1 well on production, the lease has been producing from the Abo zone in well No. 2. Well No. 2 averages 8 BOPD, 9 BWPD and 10 MCFD as evident from the production curve (attached). Currently well No. 2 is shut-in awaiting approval of this application, in order for Penroc to produce both wells in a common tank battery.

All wells on the State "AF" lease have common royalty interest (12.5% for the State of New Mexico) and have common working interest owners. The surface facilities include: A heater treater, test separator, free water knock out and a header system plus storage tanks. Well No. 2 will be tested through the test separator which has a non-reset metering device. The production for well No. 1 will be determined by taking the difference between total production and well test on No. 2.

An early approval from your office will be greatly appreciated. If you have any questions, please contact the undersigned. Thank you in advance for your cooperation.

Very truly yours,


M. Y. (Merch) Merchant
President

MYM/ssp

attachment

PENROC

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

November 9, 1987

New Mexico Oil Conservation Division
State Land Office Bldg.
P. O. Box 2088
Santa Fe, New Mexico 87501

Attn: Mr. William J. Lemay

Re: Supplemental Information
State "AF" Lease, Sec. 8, T18S, R35E
Lea County, New Mexico

Gentlemen:

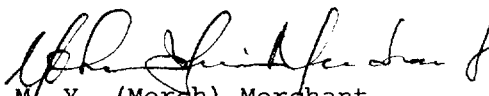
As per request by Mr. Catanach of your office, PENROC OIL CORPORATION, submits the following additional information regarding its application for an exception to Rule 303:

- 1) Ownership Map of the State "AF" Lease,
- 2) Perforations and API Gravity of both crudes,
- 3) Schematic of production facilities

A copy of this alongwith original application is being sent to the Commissioner of Public Lands. If you have any further questions, please let me know. Thank you.

Sincerely,

PENROC OIL CORPORATION


M. Y. (Merch) Merchant
President

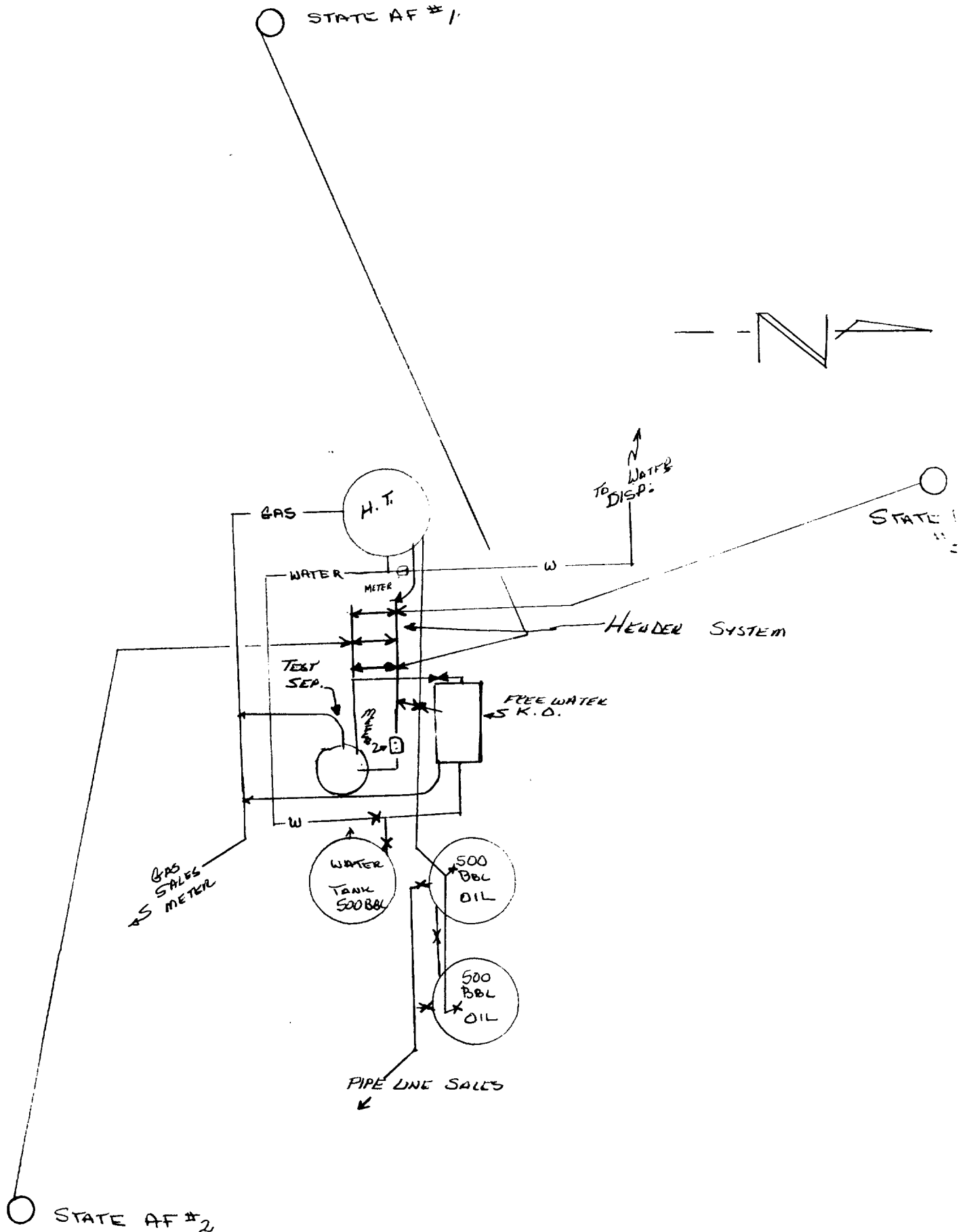
MYM/br

- CC: 1) Commissioner of Public Lands
Santa Fe, New Mexico
- 2) William (Kemp) Kemper
Abilene, Texas

PENROC OIL CORPORATION

	<u>FORMATION AND PERFORATIONS</u>		<u>GRAVITY OF OIL</u>
STATE AF #1	DEVONIAN	11514-11573	51.7
STATE AF #2	ABO REEF	8937-9080	45.1

PENROC OIL CORPORATION
STATE "AF" TANK BATTERY
SW/4, SW/4, SEC. 8, T18S, R35 E



Kempae Operating ST AF NO 2 UNIT 0 8-18-35

Watum Abo Reef

