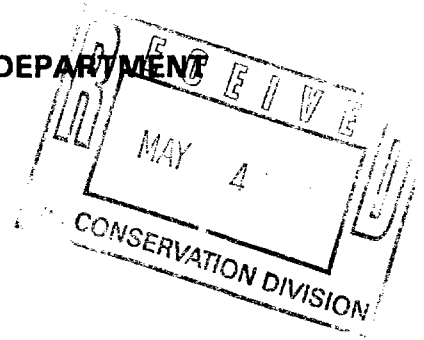


**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**



IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION
FOR THE PURPOSE OF CONSIDERING:

CASE NO. 11543

APPLICATION OF PENROC OIL CORPORATION
FOR APPROVAL OF A WATERFLOOD PROJECT
AND FOR AN EOR, LEA COUNTY, NEW MEXICO.

PRE-HEARING STATEMENT

This pre-hearing statement is submitted by PENROC OIL CORPORATION as required by the Oil Conservation Division.

APPEARANCE OF PARTIES

APPLICANT

Penroc Oil Corporation
P O Box 5970
Hobbs, New Mexico 88241
Attn: M.Y.(Merch) Merchant
1-505-397-3596

ATTORNEY

W. Thomas Kellahin
P.O. Box 2265
Santa Fe, New Mexico 87504
(505) 982-4285

STATEMENT OF CASE

APPLICANT:

Penroc Oil Corporation is the operator of the three State of New Mexico oil & gas leases, the Harris State, State AD and the State II-23, portions of which will be included in a Waterflood Project for water injection into the San Andres formation of the Mescalero-San Andres Pool.

The Project Area is within the following area:

Township 10 South, Range 32 East, NMPM
Section 22: SE/4 and SE/4NE/4
Section 23: SW/4; W/2SE/4 and SW/4NW/4

The total acres in the Project Area are 480 with 2 injection wells and 8 producing wells.

The ultimate primary oil recovery from the Area has been 883,140 barrels of oil. Under the secondary (waterflood) phase, ultimate secondary oil recovery is estimated to be 411,018 barrels of oil.

The wells in the Project Area are currently producing at 12 BOPD and 115 BWPD from 8 active producers. Penroc seeks to increase oil recovery from this Project Area by means of a significant change in the process used for the displacement of crude by the initiation of the injection of water into 2 injection wells.

The estimated amount of incremental recoverable oil is 411,018.

The name of the subject Pool and formation is the San Andres formation of the Mescalero-San Andres Pool.

The method of recovery will be the injection of water with an anticipated volume rate of 600 + BWPD. Waterflooding is the process to be used for displacement of oil.

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The Capital cost of additional facilities and the Total Project Costs amounts to: \$80,000.00, with an estimated total value of the additional recovered production will be an undiscounted value of: \$3,624,742.00.

Anticipated date of commencement will be as soon as possible after OCD approval, if granted. Penroc also seeks approval for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act".

Applicant requests that the Division approve its proposed Waterflood Project and approve the recovered oil tax rate for enhanced oil recovery for the use of enhanced oil recovery technology within said project.

PROPOSED EVIDENCE

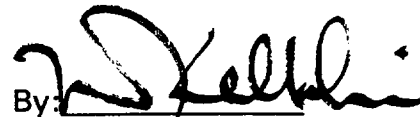
APPLICANT

WITNESSES	EST. TIME	EXHIBITS:
M.Y. (Merch) Merchant President, Penroc Oil Corporation	20 min.	7 total
Francis Roth President, Harcor Energy Inc.	20 min.	

PROCEDURAL MATTERS

None anticipated at this time.

KELLAHIN AND KELLAHIN

By: 

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