

BEFORE THE

OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF PENWELL ENERGY, INC. FOR
COMPULSORY POOLING.
EDDY COUNTY, NEW MEXICO.

RECEIVED

JUL 16 1996

Oil Conservation Division

CASE NO. 11587

APPLICATION

PENWELL ENERGY, INC. ("Penwell"), through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat. Ann. § 70-2-17, (1978), for an order pooling all mineral interests from 4000 feet to the base of the Morrow formation underlying the W/2 for all formations developed on 320-acre spacing, the NW/4 for all formations developed on 160- acre spacing, the S/2 NW/4 for all formations developed on 80-acre spacing, and the SE/4 NW/4 for all formations developed on 40-acre spacing, all in Township 18 South, Range 31 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

1. Penwell owns or represents 63.5% of the working interest in the W/2 of Section 30, and has the right to drill thereon.
2. Penwell proposes to drill its Shugart West 30 Federal Com. Well No. 1 at a standard location 1980 feet from the North and West lines (Unit F) of Section 30 as a wildcat well to a depth of approximately 12,000 feet to test any and all formations from the depth of 4000 feet to the base of the Morrow formation.

3. Applicant has sought and been unable to obtain either voluntary agreement for pooling or farmout from certain interest owners in the W/2 of said Section 30.

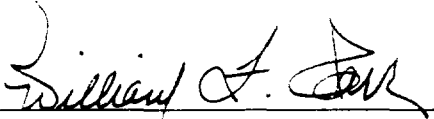
4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit Penwell to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Penwell should be designated the operator of the well to be drilled.

WHEREFORE, Penwell Energy, Inc. prays that this application be set for hearing before an Examiner of the Oil Conservation Division on August 8, 1996 and, after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions designating Penwell Energy, Inc. operator of all pooled units in the W/2 of said Section 30, and authorizing Penwell to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the risk assumed by Penwell in drilling, completing and equipping the well.

Respectfully submitted,

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