

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
POOL EXPANSION AND
SPECIAL POOL RULES FOR THE
CEDAR CANYON-BONE SPRING POOL,
EDDY COUNTY, NEW MEXICO.

CASE NO. 11646

APPLICATION

PENWELL ENERGY, INC. ("Penwell"), by its undersigned attorneys, hereby makes application to the Oil Conservation Division for an Order promulgating the Special Pool Rules and Regulations for the Cedar Canyon-Bone Spring Pool to provide for a special gas/oil ratio of 6,000 to 1 and in support thereof states:

1. Penwell Energy, Inc. Owns an interest in wells located in the Cedar Canyon-Bone Spring Pool which was established on February 1, 1992 by Order No. R-9625 and includes the following acreage:

Township 24 South, Range 29 East, N.M.P.M.

Section 3: E/2, SE/4 SW/4
Section 10: NW/4

2. Data obtained from wells recently drilled in this area establish that this pool should be expanded to include the following acreage:

Township 24 South, Range 29 East, N.M.P.M.

Section 10: S/2
Section 11: All
Section 14: All
Section 15: NE/4 NE/4

3. The wells in this pool are produced under statewide rules which limit production to a gas-oil ratio of 2,000 cubic feet of gas per barrel of oil produced.

3. Operating this pool under a 2,000 to 1 gas-oil ratio is not depleting the reservoir in an efficient and timely manner.

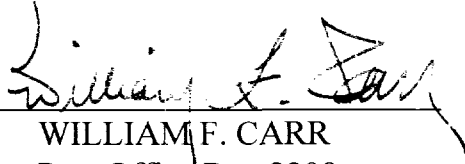
4. Penwell Energy, Inc. seeks the adoption of the Special Rules and Regulations for this pool to increase the limiting gas-oil ratio to 6,000 cubic feet of gas per barrel of oil produced.

5. Approval of this application will protect the correlative rights of each operator in the pool by affording each the opportunity to produce its just and equitable share of gas and oil from this pool, will prevent waste of hydrocarbons and is otherwise in the best interest of conservation.

WHEREFORE, Penwell Energy, Inc., requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on November 7, 1996, and after notice and hearing as required by law, the Division enter its Order approving this application.

Respectfully submitted,

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