

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.

CASE NO. 11647

**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 in all formations developed on 320-acre spacing in the E/2, in all formations developed on 160-acre spacing in the SE/4 of Section 29, Township 23 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

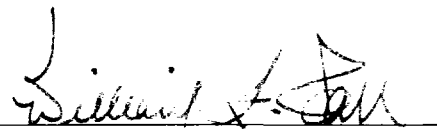
1. Penwell owns or represents approximately 50% of the working interest in the E/2 of said Section 29, and applicant has the right to drill thereon.
2. Penwell proposes to dedicate the above-referenced spacing or proration unit to its F. H. "29" Federal Com. Well No. 1 to be drilled at a standard well location 1980 feet from the South line and 660 feet from the East line of said Section 29.
3. Penwell proposes to drill to a depth sufficient to test all formations from the surface to the base of the Morrow formation, South Carlsbad-Morrow Gas Pool.
4. Penwell has sought and been unable to obtain either voluntary agreement for pooling or farmout from certain interest owners in the E/2 of said Section 29.

5. Said pooling of interests will prevent waste and will protect correlative rights.
6. 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. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on November 7, 1996 and, after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions for Penwell to recover its costs of supervision of the well, including overhead charges, and imposing a risk factor for the risk assumed by the Penwell in drilling, completing and equipping the well.

Respectfully submitted,

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& SHERIDAN, P.A.

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