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LAWYERS

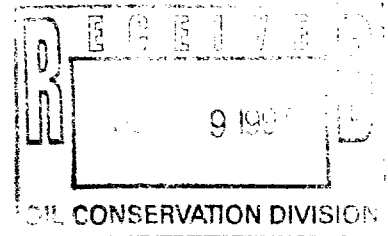
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June 9, 1997

**HAND-DELIVERED**

William J. LeMay, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
2040 South Pacheco Street  
Santa Fe, New Mexico 87505



Re: Oil Conservation Division Case Nos. 11730, 11731, 11732, 11733, 11734 and  
11735:  
Applications of Penwell Energy, Inc. for Compulsory Pooling, Lea County,  
New Mexico

Dear Mr. LeMay:

Penwell Energy, Inc., respectfully requests that these cases currently set on the Division docket for the June 12, 1997 hearings be continued to the June 26, 1997 Examiner docket.

Your attention to these matters is appreciated.

Very truly yours,

WILLIAM F. CARR  
WFC:mlh

cc: Mr. Mark Wheeler  
W. Thomas Kellahin, Esq.  
Ms Leslyn Swierc

**CASE 11726:** (Continued from May 1, 1997, Examiner Hearing.)

**Application of ARCO Permian, a unit of Atlantic Richfield for compulsory pooling, directional drilling and unorthodox well locations, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests in all formations developed on 320-acre spacing underlying the S/2, in all formations developed on 160-acre spacing underlying the SW/4, in all formations developed on 80-acre spacing underlying the S/2 SW/4, and in all formations developed on 40-acre spacing underlying the SE/4 SW/4, from below 3300 feet to the base of the Upper Mississippian formation, of Section 8, Township 18 South, Range 28 East. Said units are to be dedicated to its Mimosa 8 State Com Well No. 1 which will be directionally drilled from an unorthodox surface location 350 feet from the South line and 2003 feet from the West line (Unit N) to an unorthodox bottomhole location in the Mississippian and Morrow formations, within 55 feet of a point 404 feet from the South line and 1749 feet from the West line of said Section 36. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 14 miles southeast of Artesia, New Mexico.

**CASE 11790:** (Continued from May 29, 1997, Examiner Hearing.)

**Application of Manzano Oil Corporation for compulsory pooling and unorthodox location, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation, Undesignated Northeast Lovington-Pennsylvanian Pool, and Undesignated North Lovington-Wolfcamp Pool, underlying the S/2 SE/4 of Section 2, Township 16 South, Range 36 East. Said unit is to be dedicated to its "SV" Killer Bee Well No. 1 to be drilled at an unorthodox well location 487 feet from the South line and 1270 feet from the East line (Unit P) of said Section 2. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 1 mile east of Lovington, New Mexico. In the absence of objection, this matter will be taken under advisement.

**CASE 11730:** (Continued from May 29, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Undesignated Red Tank-Bone Spring Pool underlying the SE/4 SE/4 (Unit P) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11731:** (Continued from May 29, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Undesignated Red Tank-Bone Spring Pool underlying the NE/4 SE/4 (Unit D) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11732:** (Continued from May 29, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Undesignated Red Tank-Bone Spring Pool underlying the NE/4 NE/4 (Unit A) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

DOCKET NO. 17-97

**DOCKET: EXAMINER HEARING - THURSDAY - JUNE 12, 1997**  
**8:15 AM - 2040 South Pacheco**  
**Santa Fe, New Mexico**

Dockets Nos 18-97 and 19-97 are tentatively set for June 26, 1997 and July 10, 1997. Applications for hearing must be filed at least 23 days in advance of hearing date. The following cases will be heard by an Examiner:

**CASE 11784:** (Continued from May 29, 1997, Examiner Hearing.)

**Application of Layton Enterprises Inc. for a waterflood project, Lea County, New Mexico.** Applicant seeks authority to institute a waterflood project within an area encompassing all or portions of Sections 1, 2, 10 and 11, Township 9 South, Range 36 East, Lea County, New Mexico, and portions of Sections 36, Township 8 South, Range 36 East, Roosevelt County, New Mexico, by the injection of water into the Bough "C" member of the Pennsylvanian formation, Allison-Penn Pool, in its Fox "A" State Well No. 5 located 2310 feet from the North line and 2070 feet from the West line (Unit F) of Section 2. Applicant further seeks authority to complete this injection well unconventionally by leaving both the Bough "C" and Devonian formations open in the wellbore below a packer and allowing Devonian formation water to flow freely into the Bough "C" formation to expedite reservoir fill up. This project is located approximately 8 miles northeast of Crossroads, New Mexico.

**CASE 11785:** (Continued from May 29, 1997, Examiner Hearing.)

**Application of Plains Petroleum Operating Company to Amend Order No. R-10474 by Expanding its Hill-Cayless McKee Pressure Maintenance Project, and Qualification of this Expanded Area for the Recovered Oil Tax Rate Pursuant to the "New Mexico Enhanced Oil Recovery Act", Lea County, New Mexico.** Applicant seeks authority to expand its Hill-Cayless McKee Pressure Maintenance Project, previously approved by Division Order No. R-10474, and which currently comprises the SE/4 of Section 34 and the SW/4 of Section 35, both in Township 23 South, Range 37 East, to include the S/2 NE/4 of Section 34 and the S/2 NW/4 of Section 35, Teague (Simpson) Pool. The applicant further seeks to qualify this expanded area for the recovered oil tax rate pursuant to the "New Mexico Enhanced Oil Recovery Act". This project is located approximately 9 miles north of Jal, New Mexico.

**CASE 11794:** **Application of Chi Energy, Inc. for compulsory pooling, Eddy County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Cisco formation underlying the E/2 of Section 3, Township 19 South, Range 27 East, to form a standard 320-acre gas spacing and proration unit any formations and/or pools developed on 320-acre spacing within said vertical extent. Said unit is to be dedicated a well to be drilled at a standard gas well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well. Said unit is located approximately 7.5 miles northeast of Lakewood, New Mexico

**CASE 11780:** (Continued from May 15, 1997, Examiner Hearing.)

**Application of Cobra Oil & Gas Corporation for a unit agreement, Lea County, New Mexico.** Applicant seeks approval of the Gainer Unit Agreement for an area comprising 80 acres, more or less, of State lands in portions of Sections 21 and 22, Township 10 South, Range 36 East, which is located approximately 12 miles northeast of Tatum, New Mexico.

**CASE 11795:** **Application of Enron Oil & Gas Company for compulsory pooling and unorthodox well location, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Devonian formation underlying the E/2 of Section 7 for all formations developed on 320-acre spacing, including the South Bell Lake Morrow-Gas Pool, under the SE/4 of said Section 7 for all formations developed on 160-acre spacing, including Bell Lake-Devonian Gas Pool, and under the NW/4 SE/4 of said Section 7 for all formations developed on 40-acre spacing, Township 24 South, Range 34 East. Applicant proposes to dedicate this pooled unit to its Bell Lake Unit 7 Well No. 1 to be drilled at an unorthodox location 2276 feet from the South line and 1863 feet from the East line (Unit J) of said Section 7. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 20 miles southwest of Eunice, New Mexico.

**CASE 11789:** Application of Apache Corporation for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests in all formations developed on 160-acre spacing in the SE/4, in all formations developed on 80-acre spacing in the S/2 SE/4, and in all formations developed on 40-acre spacing in the SW/4 SE/4 of Section 28, Township 16 South, Range 38 East. Said unit is to be dedicated to its Maltese Falcon "28" Well No. 1 to be drilled at a standard location in the SE/4 of said Section 28. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 7 miles north-northeast of Humble City, New Mexico.

**CASE 11790:** Application of Manzano Oil Corporation for compulsory pooling and unorthodox location, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation, Undesignated Northeast Lovington-Pennsylvanian Pool, and Undesignated North Lovington-Wolfcamp Pool, underlying the S/2 SE/4 of Section 2, Township 16 South, Range 36 East. Said unit is to be dedicated to its "SV" Killer Bee Well No. 1 to be drilled at an unorthodox well location 487 feet from the South line and 1270 feet from the East line (Unit P) of said Section 2. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 1 mile east of Lovington, New Mexico. In the absence of objection, this matter will be taken under advisement.

**CASE 11791:** Application of Manzano Oil Corporation for compulsory pooling, Lea County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Strawn formation underlying the following described acreage in Section 11, Township 16 South, Range 36 East, and in the following manner: (a) the S/2 NW/4 to form a standard 80-acre gas spacing and proration unit for any and all formations and/or pools spaced on 80 acres within said vertical extent, which presently includes but is not necessarily limited to the Southeast Lovington-Pennsylvanian Pool; (b) the SE/4 NW/4 to form a standard 40-acre spacing and proration unit for any and all formations and/or pools spaced on 40 acres within said vertical extent. Said units are to be dedicated to the applicant's proposed "SV" Big Bertha Well No. 1 to be drilled at a standard location 2081 feet from the North line and 1870 feet from the West line (Unit F) of said Section 11. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 1 mile east of Lovington, New Mexico.

**CASE 11768:** Application of Sirgo Brothers Energy Corporation for Compulsory Pooling, San Juan County, New Mexico. Applicant seeks an order pooling all mineral interests in the Cha Cha-Gallup Pool underlying the S/2 NW/4 of Section 12, Township 29 North, Range 15 West, thereby forming a standard 80-acre spacing and proration unit for said pool. Said unit is to be dedicated to the existing Moore Well No. 1 (API No. 30-045-24742) located at a standard oil well location 1980 feet from the North line and 660 feet from the West line (Unit E) of Section 12. Also to be considered will be the costs of participating in said well, including but not limited to the costs of re-entry, completing and equipping, as well as actual operating costs and charges for supervision, and the designation of Mountain States Petroleum Corporation as the operator of the well. Said well is located approximately 9 miles west of Farmington, New Mexico. IN THE ABSENCE OF OBJECTION, THIS CASE WILL BE TAKEN UNDER ADVISEMENT.

**CASE 11792:** Application of Doyle Hartman, Oil Operator for an order clarifying Order No. R-6447 and revoking or modifying Order No. R-4680-A or, alternatively, for an order terminating the Myers Langley-Mattix Unit waterflood program, Lea County, New Mexico. Applicant seeks an order clarifying Order No. R-6447 and revoking or modifying Order No. R-4680-A or, alternatively, for an order terminating the Myers Langley-Mattix Unit waterflood program, located in various parts of Section 36, Township 23 South, Range 36 East, and in Sections 31 and 32, Township 23 South, Range 37 East, and in Sections 5 and 6, Township 24 South, Range 37 East, Queen Formation of the Langley Mattix-Seven Rivers-Queen-Grayburg Pool, Lea County, New Mexico. Said project area is located approximately nine miles north of Jal, New Mexico.

**[REDACTED]** (Continued from May 15, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Undesignated Red Tank-Bone Spring Pool underlying the SE/4 SE/4 (Unit P) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11731:** (Continued from May 15, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Undesignated Red Tank-Bone Spring Pool underlying the NE/4 SE/4 (Unit D) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11732:** (Continued from May 15, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Undesignated Red Tank-Bone Spring Pool underlying the NE/4 NE/4 (Unit A) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11733:** (Continued from May 15, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Red Tank-Bone Spring Pool underlying the SW/4 SW/4 (Unit M) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11734:** (Continued from May 15, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Red Tank-Bone Spring Pool underlying the NW/4 SW/4 (Unit L) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.

**CASE 11735:** (Continued from May 15, 1997, Examiner Hearing.)

**Application of Penwell Energy, Inc. for compulsory pooling, Lea County, New Mexico.** Applicant seeks an order pooling all mineral interests from the surface to the base of the Undesignated Red Tank-Bone Spring Pool underlying the SW/4 SE/4 (Unit O) of Section 24, Township 22 South, Range 32 East, forming a standard 40-acre oil spacing and proration unit. Said unit is to be dedicated to a well to be drilled at a standard oil well location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as the operator of the well and a charge for risk involved in drilling and completing said well. Said unit is located approximately 26 miles southwest by west of Eunice, New Mexico.