

CAMPBELL, CARR, BERGE

& SHERIDAN, P.A.

LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
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MICHAEL H. FELDEWERT
TANYA M. TRUJILLO
PAUL R. OWEN

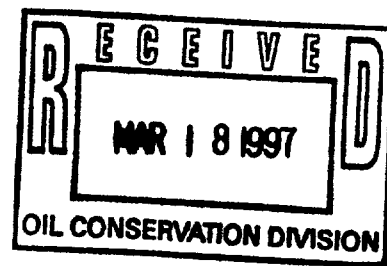
JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
TELECOPIER: (505) 983-6043

March 18, 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 87503



11763

Re: Application of Penwell Energy, Inc. for Compulsory Pooling, Eddy County,
New Mexico

Dear Mr. LeMay:

Enclosed in triplicate for filing is the Application of Penwell Energy, Inc. in the above-referenced case as well as a copy of the legal advertisement. Penwell requests that this matter be placed on the docket for the April 17, 1997 Examiner hearings.

Very truly yours,

A handwritten signature in black ink, appearing to read "William F. Carr". The signature is fluid and cursive, with a long, sweeping underline.

WILLIAM F. CARR

WFC:mlh

Enclosures

cc: Mr. Mark Wheeler, CPL
Land Manager, Permian Basin
1100 ARCO Building
600 Marienfeld
Midland, Texas 79701

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. _____

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 from the surface to the base of the Morrow Formation in Section 15, Township 23 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

1. Penwell owns or represents 60% of the working interest in the S/2 of said Section 15 and has the right to drill thereon.
2. Penwell proposes to dedicate the above-referenced spacing or proration unit to its Beretta State Com 15 Well No. 1 which it proposes to drill a standard location 660 feet from the South line and 1980 feet from the West line of said Section 15 to test the Morrow formation at an approximate depth of 12,000 feet.
3. Penwell has sought and been unable to obtain either voluntary agreement for the development of this spacing unit from the interest owners identified on Exhibit A to this application.

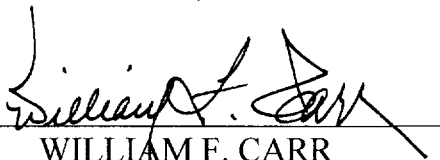
4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

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 Energy, Inc., should be designated the operator of the well.

WHEREFORE, Penwell Energy, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on April 17, 1997 and, after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions naming Penwell Energy, Inc. operator of the pool spacing and proration unit and the wells located thereon 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,

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.

By: 
WILLIAM F. CARR

Post Office Box 2208
Santa Fe, New Mexico 87504
Telephone: (505) 988-4421

ATTORNEYS FOR PENWELL ENERGY, INC.

EXHIBIT A
NOTIFICATION LIST
APPLICATION OF PENWELL ENERGY, INC.
FOR COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO

S/2, SECTION 15,
TOWNSHIP 23 SOUTH, RANGE 26 EAST, N.M.P.M.

CHI Energy, Inc.
Box 1799
Midland, TX 79702
Attn: Bill Bergman

Louis Dreyfus Oil & Gas
14000 Quail Spring Pkwy., Suite 600
Oklahoma City, OK 73134
Attn: Rusty Waters

Estate of Monk Lofton
Monk Lofton, deceased
8520 National Parks Hwy.
Carlsbad, NM 88220

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March 18, 1997

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

CHI Energy, Inc.
Box 1799
Midland, TX 79702
Attn: Bukk Bergman

Re: Application of Penwell Energy, Inc. for Compulsory Pooling, Eddy County,
New Mexico

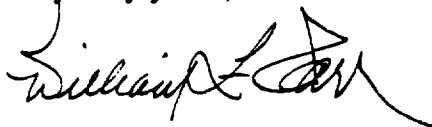
Dear Mr. Bergman:

This letter is to advise you that Penwell Energy, Inc. has filed the enclosed application with the New Mexico Oil Conservation Division seeking the force pooling of certain mineral interests in all formations to the base of the Morrow formation, in and under the S/2 of Section 15, Township 23 South, Range 26 East, N.M.P.M., Eddy County, New Mexico. Penwell Energy, Inc. proposes to dedicate the referenced pooled unit to its Beretta State Com 15 Well No. 1 to be drilled at a standard location 660 feet from the South line and 1980 feet from the West line of said Section 15.

This application has been set for hearing before a Division Examiner on April 17, 1997. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases have been requested by the Division (Memorandum 2-90) to file a Prehearing Statement substantially in the form prescribed by the Division. Prehearing statements should be filed by 4:00 o'clock p.m. on the Friday before a scheduled hearing.

Very truly yours,



WILLIAM F. CARR
ATTORNEY FOR PENWELL ENERGY, INC.
WFC:mlh
Enc.

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& SHERIDAN, P.A.
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Attn: Rusty Waters

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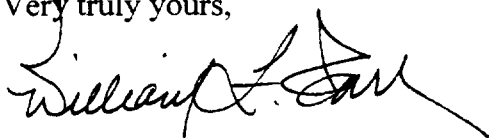
Dear Mr. Waters:

This letter is to advise you that Penwell Energy, Inc. has filed the enclosed application with the New Mexico Oil Conservation Division seeking the force pooling of certain mineral interests in all formations to the base of the Morrow formation, in and under the S/2 of Section 15, Township 23 South, Range 26 East, N.M.P.M., Eddy County, New Mexico. Penwell Energy, Inc. proposes to dedicate the referenced pooled unit to its Beretta State Com 15 Well No. 1 to be drilled at a standard location 660 feet from the South line and 1980 feet from the West line of said Section 15.

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Very truly yours,



WILLIAM F. CARR
ATTORNEY FOR PENWELL ENERGY, INC.
WFC:mlh
Enc.

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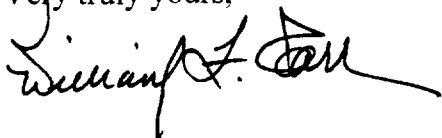
Gentlemen:

This letter is to advise you that Penwell Energy, Inc. has filed the enclosed application with the New Mexico Oil Conservation Division seeking the force pooling of certain mineral interests in all formations to the base of the Morrow formation, in and under the S/2 of Section 15, Township 23 South, Range 26 East, N.M.P.M., Eddy County, New Mexico. Penwell Energy, Inc. proposes to dedicate the referenced pooled unit to its Beretta State Com 15 Well No. 1 to be drilled at a standard location 660 feet from the South line and 1980 feet from the West line of said Section 15.

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Very truly yours,



WILLIAM F. CARR
ATTORNEY FOR PENWELL ENERGY, INC.
WFC:mlh
Enc.

CASE _____: Application of Penwell Energy, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests in all formations developed on 320-acre spacing from the surface to the base of the Morrow formation in all formations under Section 15, Township 23 South, Range 26 East. Said unit is to be dedicated to its Beretta State Com 15 Well No. 1 to be drilled at a standard location 660 feet from the South line and 1980 feet from the West line of said Section 15. 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 5 miles south of Carlsbad, New Mexico.