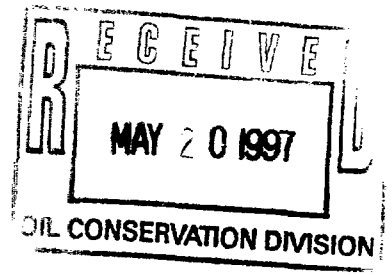


BEFORE THE
OIL CONSERVATION DIVISION



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. 11196

APPLICATION

PENWELL ENERGY INC., ("Penwell"), through its undersigned attorneys, hereby makes application pursuant to the provisions of NMSA 1978, § 70-2-17. for an order pooling all mineral interests in all formations developed on 320-acre spacing underlying the E/2, in all formations developed on 160-acre spacing in the NE/4, in all formations developed on 80-acre spacing in the S/2 NE/4 and in all formations developed on 40-acre spacing from the surface to the base of the Morrow formation in the SE/4 NE/4 of Section 32. Township 19 South, Range 29 East, Eddy County, New Mexico, and in support thereof states:

1. Penwell is a working interest owner in the E/2 of said Section 32, on which it proposes to drill its Millman 32 State Com. No. 1 Well to the Morrow formation, at an orthodox location 1980 feet from the North line and 660 feet from the East line of said Section 32 to a depth sufficient to test any and all formations from the surface to the base of the Morrow formation.

2. 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 32.

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

4. 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 Applicant 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 June 12, 1997 and, after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions designating Penwell operator of the E/2 of said Section 32, 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, imposing a risk factor for the risk assumed by the Applicant in drilling, completing and equipping the well.

Respectfully submitted.

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

By:



WILLIAM F. CARR

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ATTORNEYS FOR PENWELL ENERGY INC.

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

**SECTION 32, TOWNSHIP 19 SOUTH, RANGE 29 EAST,
NMPM, EDDY COUNTY, NEW MEXICO**

Dutch-Irish Oil, Inc.
Post Office Box 4831
Midland, TX 79704
Attention: Dan O'Neill

Oxy, USA, Inc.
P.O. Box 50250
Midland, Texas 79710
Attention: Kent Wooley

CASE 11796.

Application of Penwell Energy Inc. for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all formations developed on 320-acre spacing underlying the E/2, in all formations developed on 160-acre spacing in the NE/4, in all formations developed on 80-acre spacing in the S/2 NE/4 and in all formations developed on 40-acre spacing from the surface to the base of the Morrow formation in the SE/4 NE/4 of Section 32, Township 19 South, Range 29 East, Eddy County, New Mexico. Applicant proposes to dedicate this pooled unit to its Millman 32 State Com. No. 1 Well to be drilled at a standard location 1980 feet from the North line and 660 feet from the East line of said Section 32. Also to be considered will 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 15 miles northeast of Carlsbad, New Mexico.