

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 11854

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

PRE-HEARING STATEMENT

This Prehearing Statement is submitted by Campbell, Carr & Berge & Sheridan, P.A.,
as required by the Oil Conservation Division.

APPEARANCES OF PARTIES

APPLICANT

Penwell Energy, Inc
c/o Mark Wheeler
600 Marienfeld
Midland, TX 79701
(915) 683-2534

name, address, phone and
contact person

ATTORNEY

William F. Carr, Esq.
Campbell, Carr, Berge & Sheridan, P.A.
Post Office Box 2208
Santa Fe, New Mexico 87504
(505) 988-4421

INTERESTED PARTY

ATTORNEY

STATEMENT OF CASE

APPLICANT

(Please make a concise statement of what is being sought with this application and the reasons therefore.)

Penwell Energy, Inc., applicant in the above-styled cause, seeks an order pooling all mineral interests from the surface to the base of the Morrow formation underlying the E/2 for all formations developed on 320-acre spacing; the NE/4 for all formations developed on 160-acre spacing; the S/2 NE/4 for all formations developed on 80-acre spacing; and the SE/4 NE/4 for all formations developed on 40-acre spacing, all in Section 14, Township 21 South, Range 27 East. Applicant proposes to dedicate this pooled unit to its Lonetree "14" State Com Well No. 1 to be drilled as a wildcat well at a standard location 1980 feet from the North line and 660 feet from the East line (Unit H) of said Section 14 to test any and all formations to the base of the Morrow formation. 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.

OTHER PARTY

(Please make a concise statement of the basis for opposing this application or otherwise state the position of the party filing this statement.)

PROPOSED EVIDENCE

APPLICANT

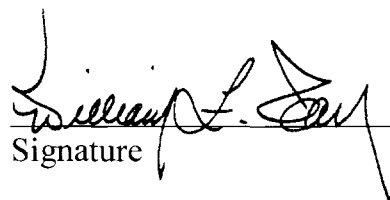
WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
Mark Wheeler, Land	10 Min.	Approximately 5
John Thoma, Geology	10 Min.	Approximately 3

OTHER PARTY

WITNESSES (Name and expertise)	EST. TIME	EXHIBITS
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PROCEDURAL MATTERS

(Please identify any procedural matters which need to be resolved prior to hearing)


Signature