

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. 15016

OIL CONSERVATION DIV.
53 JUN 30 PM 3:06

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 W/2, in all formations developed on 160-acre spacing in the NW/4, in all formations developed on 80-acre spacing in the W/2 NW/4 and in all formations developed on 40-acre spacing from the surface to the base of the Morrow formation in the SW/4 NW/4 of Section 33, Township 19 South, Range 29 East, Eddy County, New Mexico. In support of this application, Penwell states:

1. Penwell is a working interest owner in the W/2 of said Section 33, on which it proposes to drill its Millman SE 33 Fed Com # 1 Well to the Morrow formation, at a standard location 2310 feet from the North line and 660 feet from the West line of said Section 33 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 W/2 of said Section 33. The names and addresses of those interest owners from whom Penwell has been unable to obtain either voluntary agreement for pooling or farmout is attached hereto as Exhibit "A."

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.

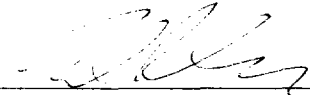
5. Granting this application will be in the best interest of conservation, the prevention of waste and the protection of correlative rights.

WHEREFORE, Penwell Energy, Inc. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on July 23, 1998 and, after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions designating Penwell operator of the W/2 of said Section 33, 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 the Applicant in drilling, completing and equipping the well.

Respectfully submitted,

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

By:



WILLIAM F. CARR

PAUL R. OWEN

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 OIL AND GAS COMPANY
FOR COMPULSORY POOLING
EDDY COUNTY, NEW MEXICO**

**SECTION 33, TOWNSHIP 19 SOUTH, RANGE 29 EAST,
NMPM, EDDY COUNTY, NEW MEXICO**

William F. Smith
Riverhill Energy Corp.
Post Office Box 2726
Midland, Texas 79702

Thunderbolt Petroleum, LLC
Post Office Box 10523
Midland, Texas 79702
Attn: Robert Lee

Gene Schumate
Post Office Box 2473
Midland, Texas 79702