

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

IN THE MATTER OF THE APPLICATION
OF PENWELL ENERGY, INC. FOR
COMPULSORY POOLING,
LEA COUNTY, NEW MEXICO.

CASE NO. 12048

OIL CONSERVATION DIV.
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APPLICATION

PENWELL ENERGY, INC. ("Penwell"), through its undersigned attorneys, hereby makes application pursuant to the provisions of NMSA 1978, Section 70-2-17, for an order pooling all mineral interests from the surface to the base of the Morrow formation, Undesignated Gem-Morrow Gas Pool, underlying the E/2 for all formations developed on 320-acre spacing, the SE/4 for all formations developed on 160-acre spacing, the E/2 SE/4 for all formations developed on 80-acre spacing, and the NE/4 SE/4 for all formations developed on 40-acre spacing, all in Section 28, Township 19 South, Range 33 East, NMPM, Lea County, New Mexico, and in support thereof states:

1. Penwell is a working interest owner in the E/2 of said Section 28 and has the right to drill thereon.
2. Penwell proposes to drill its Jade "28" Federal Com Well No. 1 at a standard location 1650 feet from the South line and 990 feet from the East line (Unit I) of Section 28 to a depth sufficient to test any and all formations from the surface to the base of the Morrow formation, Undesignated Gem-Morrow Gas Pool.

3. Penwell has sought and been unable to obtain either a voluntary agreement for pooling or farmout from certain interest owners in the E/2 of said Section 28.

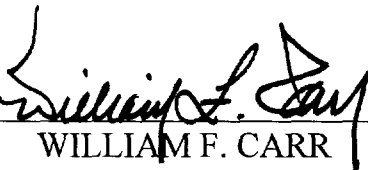
4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit Penwell to proceed with its efforts to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Penwell should be designated the operator of the well to be drilled.

WHEREFORE, Penwell Energy, Inc. prays that this application be set for hearing before an Examiner of the Oil Conservation Division on September 17, 1998 and, after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions designating Penwell Energy, Inc. operator of all pooled units in the E/2 of said Section 28.

Respectfully submitted,

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& SHERIDAN, P.A.

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