

**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. 12387 (Reopened)
Order No. R-11374-B**

**IN THE MATTER OF CASE NO. 12387 BEING REOPENED PURSUANT TO
THE PROVISIONS OF ORDER NO. R-11374, AS AMENDED, WHICH
ORDER PROMULGATED TEMPORARY SPECIAL POOL RULES FOR
THE SOUTHEAST ARENA BLANCA-ENTRADA POOL IN SANDOVAL
COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on August 1, 2002, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 8th day of August, 2002, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and its subject matter.

(2) By Order No. R-11374 issued in Case No. 12387 on May 17, 2000, the Division, upon application of Penwell Energy, Inc. ("Penwell"), created the Southeast Arena Blanca-Entrada Pool in Sandoval County, New Mexico, and established temporary special rules for this pool including provisions for 160-acre spacing and proration units and designated well location requirements.

(3) Pursuant to the provisions of Order No. R-11374, Case No. 12387 was initially reopened and heard on June 14, 2001, to allow Penwell and other interested parties to appear and present evidence on the question whether the *Special Pool Rules for the Southeast Arena Blanca-Entrada Pool* should be permanently adopted.

(4) Penwell appeared through legal counsel at the hearing on June 14, 2001 and stated that:

- (a) the only producing well within the Southeast Arena Blanca-Entrada Pool is the Penwell Eagle Springs "8" Federal Well No. 1 (API No. 30-043-20949) located at an unorthodox location 263 feet from the North line and 2548 feet from the East line (Unit B) of Section 8, Township 19 North, Range 4 West, NMPM, Sandoval County, New Mexico;
- (b) the Eagle Springs "8" Federal Well No. 1 is dedicated to a non-standard spacing unit comprising the W/2 NE/4 and the E/2 NW/4 of Section 8;
- (c) based upon the experience of Penwell with other Entrada wells in this general area, the installation of an electric submersible pump within the Eagle Springs "8" Federal Well No. 1 should result in a 600-700% increase in the well's oil and water production;
- (d) for several months, Penwell had been in negotiations with Jemez Mountain Electrical Cooperative ("Jemez") for the installation of electric power to the well. This process involves extending the current power line a distance of 6 miles. As of the June 14, 2001 hearing date, Penwell had been unable to secure an agreement with Jemez, although negotiations were ongoing; and
- (e) until such time as a submersible pump is installed and new production rates from the well are obtained, the data necessary to support the permanent adoption of the special pool rules cannot be obtained.

(5) At the request of Penwell and for the reasons outlined at the June 14, 2001 hearing, the Division issued Order No. R-11374-A dated June 19, 2001, which order extended for an additional one year period the *Temporary Special Pool Rules for the Southeast Arena-Blanca-Entrada Pool*.

(6) Pursuant to the provisions of Order No. R-11374-A, Case No. 12387 was again reopened to allow Penwell and other interested parties to appear and present evidence on the question whether the *Special Pool Rules for the Southeast Arena Blanca-Entrada Pool* should be permanently adopted.

(7) Penwell appeared at the hearing through legal counsel.

(8) Penwell stated that although negotiations with Jemez are ongoing, it has not yet secured an agreement with Jemez to obtain electrical power at the Eagle Springs "8" Federal Well No. 1.

(9) Penwell requested that the *Temporary Special Pool Rules for the Southeast Arena Blanca-Entrada Pool* be continued in effect until such time as it is able to obtain electrical power at the Eagle Springs "8" Federal Well No. 1.

(10) There are no other operators or interest owners affected by this application.

(11) The *Temporary Special Pool Rules for the Southeast Arena Blanca-Entrada Pool* should be continued in effect until further order by the Division.

IT IS THEREFORE ORDERED THAT:

(1) The *Temporary Special Pool Rules for the Southeast Arena Blanca-Entrada Pool*, which comprises the N/2 of Section 8, Township 19 North, Range 4 West, NMMP, Sandoval County, New Mexico, as established by Division Order No. R-11374, as amended, are hereby continued in effect until further order by the Division.

(2) Penwell Energy, Inc. shall advise the Santa Fe office of the Division at such time as electrical power is obtained at the Eagle Springs "8" Federal Well No. 1. The Division will then determine how to proceed with regards to re-opening this case to allow the presentation of additional data to support the continuation of special pool rules for the Southeast Arena Blanca-Entrada Pool.

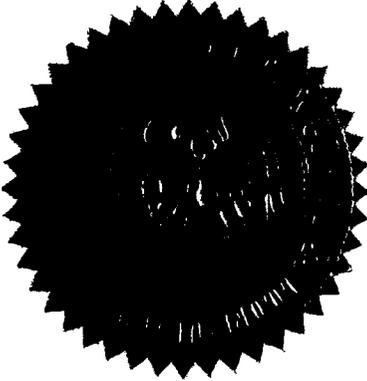
(3) Jurisdiction is hereby retained for the entry of such further orders as the Division may deem necessary.

Case No. 12387 (Reopened)

Order No. R-11374-B

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DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director