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March 28, 2000

HAND-DELIVERED

Lori Wrotenbery, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87503

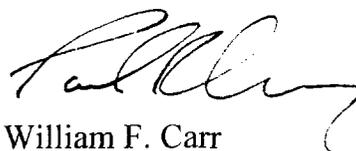
OIL CONSERVATION DIV.
CO MAR 28 AM 11:05

Re: Application of Penwell Energy, Inc. for Pool Creation, Special Pool Rules and a Nonstandard Spacing and Proration Unit, Sandoval County, New Mexico.

Dear Ms. Wrotenbery:

Enclosed in triplicate is the Application of Penwell Energy, Inc. in the above-referenced case as well as a copy of the legal advertisement. Penwell Energy, Inc. requests that this matter be placed on the docket for the April 20, 2000 Examiner hearings.

Very truly yours,



William F. Carr
Paul R. Owen

WFC/md

Enclosures

cc: Mr. Bill Pierce

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

00 MAR 98 AM 11:05

OIL CONSERVATION DIV

**IN THE MATTER OF THE APPLICATION
OF PENWELL ENERGY, INC. FOR POOL
CREATION, SPECIAL POOL RULES AND A
NONSTANDARD SPACING AND PRORATION
UNIT, SANDOVAL COUNTY, NEW MEXICO.**

CASE NO. 12387

APPLICATION

PENWELL ENERGY, INC., ("Penwell") by its undersigned attorneys, hereby makes application to the Oil Conservation Division for an order creating a new pool for the production of hydrocarbons in the Entrada formation as the result of the discovery of oil and gas in its Eagle Spring "8" Federal Well No. 1 located in the NW/4 NE/4 of Section 8, Township 19 North, Range 4 West, NMPM, Sandoval County, New Mexico; promulgating special pool rules and regulations for this pool including provisions for 160-acre spacing and special well location requirements; and, approving a nonstandard spacing and proration unit for this well comprised of the W/2 NE/4 and the E/2 NW/4 of said Section 8, and in support of this application states:

1. Penwell has recently drilled its Eagle Spring "8" Federal Well No. 1 as an Entrada test well at a previously approved unorthodox well location 263 feet from the North line and 2545 feet from the East line of Section 8, Township 19 North, Range 4 West, NMPM, Sandoval County, New Mexico (Order No. R-11331). Said well is producing from a new common source of supply in the Entrada formation.

2. Although the well is located in a new common source of supply, the Division has designated the well as being in the undesignated Arena Blanca-Entrada Pool well. The pool has not been extended to include this spacing unit which is located approximately 2 miles from the Arena Blanca-Entrada Pool boundary.

3. The Arena Blanca-Entrada Pool was created by Division Order No. R-8120 dated January 1, 1986, and comprises the S/2 NE/4 and the N/2 SE/4 of Section 36, Township 20 North, Range 5 West, NMPM, McKinley County, New Mexico. The discovery well for the pool, the Merrion Oil & Gas Corp. Arena Blanca Well No. 1, located 2360 feet from the South line and 1200 feet from the East line of Section 36, Township 20 North, Range 4 West, has been plugged and abandoned and no other well produces from this pool.

4. Penwell requests that a new pool for the production of oil and gas be created to include the following described lands in the original definition of the pool which Penwell's Eagle Spring "8" Federal Well No. 1 has reasonably proved to be productive of oil and gas in paying quantities from the Entrada formation:

Township 19 North, Range 4 West, NMPM

Section 8: N/2

5. Operating this pool under Statewide rules which provide for 40-acre spacing and proration units will result in the drilling of unnecessary wells and inefficient operations.

6. Penwell seeks the adoption of Special Rules and Regulations to provide for 160-acre spacing and to permit wells to be located within 660 feet of the boundaries of the

dedicated spacing unit.

7. Penwell also seeks the approval of a nonstandard spacing and proration unit for this well to be comprised of the acreage that it will drain in the Entrada formation comprised of the W/2 NE/4 and the E/2 NW/4 of said Section 8.

8. Approval of this application will protect the correlative rights, will prevent waste of hydrocarbons and will otherwise be in the best interest of conservation.

WHEREFORE, Penwell Energy, Inc. requests that this application be set for hearing before a Division Examiner on April 20, 2000 and that after notice and hearing as required by law and the rules of the Division, that this application be granted.

Respectfully submitted,

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

By: 
WILLIAM F. CARR
PAUL R. OWEN
Post Office Box 2208
Santa Fe, New Mexico 87504-2208

ATTORNEYS FOR PENWELL ENERGY, INC.

CASE 2387:

Application of Penwell Energy, Inc. for pool creation; special pool rules and a nonstandard spacing and proration unit, Sandoval County, New Mexico. Applicant in the above-styled cause seeks the creation of a new pool for the production of hydrocarbons from the Entrada formation, to include the W/2 NE/4 and the E/2 NE/4 of Section 8, Township 19 North, Range 4 West, NMPM. Applicant also seeks the promulgation of special rules and regulations for this new pool, including provisions for 160-acre spacing and special well location requirements, and the approval of a nonstandard spacing and proration unit comprised of the W/2 NE/4 and the E/2 NW/4 os said Section 8. Said area is located approximately ___ miles _____ of _____, New Mexico.