

**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 POOL
SPECIAL POOL RULES, MCKINLEY
COUNTY, NEW MEXICO.**

12540
CASE NO. _____

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OIL CONSERVATION DIV.

APPLICATION

PENWELL ENERGY, INC., ("Penwell") by its undersigned attorneys, hereby makes application to the Oil Conservation Division for an order promulgating special pool rules and regulations for the Arena Blanca-Entrada Oil Pool including provisions for 160-acre spacing and special well location requirements and in support of this application states:

1. The Arena Blanca-Entrada Oil Pool was created by Division Order No. R-8120, dated January 1, 1986 and currently includes the following acreage in the Entrada formation:

CASE # 8172
1-10-86

TOWNSHIP 20 NORTH, RANGE 5 WEST, NMPM

Section 36: S/2 NE/4, N/2 SE/4

2. Penwell proposes to drill its Torreon Wash "36" State Well No. 1 at an approved unorthodox location (Administrative Order NSL-2053-A) 2143 feet from the South line and 1223 feet from the East line (Unit I) of Section 36, Township 20 North, Range 5 West, NMPM, McKinley County, New Mexico as an Entrada test well.

10-18-2000

3. The Torreon Wash "36" Well No. 1 will be the only well producing from this

common source of supply in the Entrada formation since 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. 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.

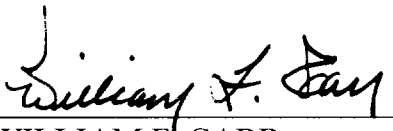
5. Penwell seeks the adoption of Special Rules and Regulations to provide for 160-acre spacing and to permit wells to be located within 660 feet of the boundaries of the dedicated spacing unit.

6. 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 November 16, 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: 

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ATTORNEYS FOR PENWELL ENERGY, INC.

CASE 12540:

Application of Penwell Energy, Inc. for adoption of special pool rules, McKinley County, New Mexico. Applicant in the above-styled cause seeks the promulgation of special rules and regulations for the Arena-Blanca-Entrada Oil Pool, including provisions for 160-acre spacing and special well location requirements. This pool is located in portions of Section 36, Township 20 North, Range 5 West, NMPM. Said area is located approximately 9 miles north northwest of Torreon, New Mexico.