

**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. 12335
Order No. R-11331**

**APPLICATION OF PENWELL ENERGY INC. FOR AN UNORTHODOX WELL
LOCATION, SANDOVAL COUNTY, NEW MEXICO.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on February 3, 2000, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 17th day of February, 2000, 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) The applicant, Penwell Energy, Inc. ("Penwell"), seeks approval to drill its Eagle Springs "8" Federal Well No. 1 at an unorthodox oil well 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, to test the Entrada formation. The NW/4 NE/4 of Section 8 is to be dedicated to the well forming a standard 40-acre oil spacing and proration unit.
- (3) The proposed spacing unit is located within two miles of the Arena Blanca-Entrada Oil Pool and is therefore subject to the rules governing this pool. The Arena Blanca-Entrada Oil Pool is currently governed by Rule 104 of the Division rules of statewide application, which requires standard 40-acre spacing and proration units with wells to be located no closer than 330 feet to any boundary of the proration unit.

(4) The applicant presented geologic evidence demonstrating that:

- a) the primary target within the Eagle Springs "8" Federal Well No. 1 is the Entrada formation;
- b) utilizing 3-D seismic data, it has identified an Entrada structure that encompasses portions of the NW/4 NE/4 and NE/4 NW/4 of Section 8;
- c) similar Entrada structures in this area are generally water drive reservoirs; and
- d) a well at the proposed unorthodox location should penetrate the Entrada reservoir at a structurally higher position above the oil-water contact than a well drilled at a standard location within the NW/4 NE/4 of Section 8, thereby increasing the likelihood of obtaining commercial oil production.

(5) The applicant presented further evidence, demonstrating that:

- a) all of Section 8 comprises a single Federal lease (Lease No. NM-99705);
- b) all of Section 5, Township 19 North, Range 4 West, being the affected offset acreage, is a single Federal lease (Lease No. NM-99704); and
- c) the applicant is the operator of both Federal leases in Sections 5 and 8, and the interest ownership in these leases is identical.

(6) No other offset operator and/or interest owner appeared at the hearing in opposition to the application.

(7) Approval of the application will afford the applicant the opportunity to produce its just and equitable share of the oil in the Entrada formation underlying the NW/4 NE/4 of Section 8 and will otherwise prevent waste and protect correlative rights.

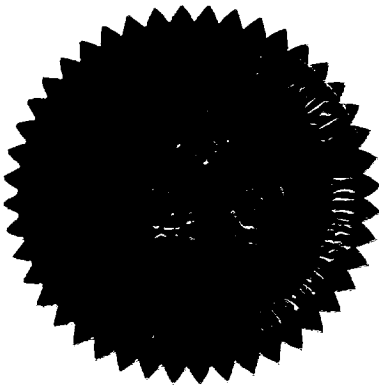
IT IS THEREFORE ORDERED THAT:

(1) The applicant, Penwell Energy, Inc. is hereby authorized to drill its Eagle Springs "8" Federal Well No. 1 at an unorthodox oil well 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, to test the Entrada formation, Arena Blanca-Entrada Oil Pool, Sandoval County, New Mexico.

(2) The NW/4 NE/4 of Section 8 shall be dedicated to the well forming a standard 40-acre oil spacing and proration unit.

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

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



S E A L

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery
LORI WROTENBERY
Director