

**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-A**

**IN THE MATTER OF CASE 12387 BEING REOPENED PURSUANT TO THE
PROVISIONS OF DIVISION ORDER NO. R-11374, WHICH ORDER
PROMULGATED TEMPORARY SPECIAL POOL RULES FOR THE
SOUTHEAST ARENA BLANCA-ENTRADA POOL IN SANDOVAL COUNTY,
NEW MEXICO, INCLUDING PROVISIONS FOR 160-ACRE SPACING AND
PRORATION UNITS AND DESIGNATED WELL LOCATIONS.**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on June 14, 2001, at Santa Fe, New Mexico, before Examiner David R. Catanach.

NOW, on this 19th day of June, 2001, 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"), established "*Temporary Special Pool Rules for the Southeast Arena Blanca-Entrada Pool*," Sandoval County, New Mexico, including provisions for 160-acre spacing and proration units and designated well locations.

(3) Pursuant to the provisions of Order No. R-11374, this case was reopened to allow the operators in the subject pool to appear and present evidence to show why the special pool rules for the Southeast Arena Blanca-Entrada Pool should not be rescinded and the pool developed on standard 40-acre oil spacing.

(4) Penwell appeared at the hearing and presented a statement through its legal counsel.

(5) No other interest owner or operator appeared at the hearing.

(6) The Southeast Arena Blanca-Entrada Pool currently comprises the N/2 of Section 8, Township 19 North, Range 4 West, NMPM, Sandoval County, New Mexico.

(7) Penwell 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;
- (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) the evidence presented in Case No. 12387 on April 20, 2000 shows that:
 - i) the Eagle Springs "8" Federal Well No. 1 is located in an isolated sand dune structure within the Entrada formation;
 - ii) one well is capable of draining the entire structure, which is comprised of approximately 194 acres; and
 - iii) all of Section 8 comprises a single Federal lease (Lease No. NM-99705) and all of Section 5, being the affected offset acreage, comprises a single Federal lease (Lease No. NM-99704). Penwell is the owner of 100% of the working interest in both of these federal leases and the

royalty interests are identical under each lease;

- (d) at the time of the April 20, 2000 hearing, the Eagle Springs "8" Federal Well No. 1 was capable of producing approximately 135 barrels of oil per day and no water. At the current time, the well is capable of producing approximately 35 barrels of oil and 260 barrels of water per day;
- (e) 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;
- (f) for seven months, Penwell has 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 hearing date, Penwell has been unable to secure an agreement with Jemez, although negotiations are ongoing; and
- (g) until such time as a submersible pump is installed and new production rates from the well are achieved, the data necessary to support the permanent adoption of the special pool rules cannot be obtained.

(8) For the reasons described above, Penwell requested that the "*Temporary Special Pool Rules for the Southeast Arena Blanca-Entrada Pool*" be extended for an additional year.

(9) Penwell's request is reasonable and should therefore be granted.

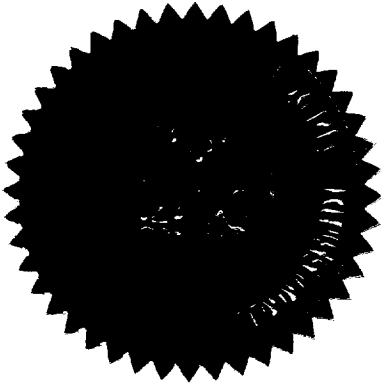
IT IS THEREFORE ORDERED THAT:

(1) The "*Temporary Special Pool Rules for the Southeast Arena Blanca-Entrada Pool*," Sandoval County, New Mexico, established by Division Order No. R-11374, are hereby extended for an additional period of one year.

(2) This case shall be reopened at an examiner hearing in June, 2002, at which time the operators in the Southeast Arena Blanca-Entrada Pool shall appear and show cause why the temporary special pool rules should not be rescinded and the pool developed on standard 40-acre oil spacing.

(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.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

Lori Wrotenbery

LORI WROTENBERY
Director