

BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

IN THE MATTER OF THE APPLICATION
OF PENWELL ENERGY, INC. FOR
COMPULSORY POOLING,
EDDY COUNTY, NEW MEXICO.

CASE NO. 11506

APPLICATION

PENWELL ENERGY, INC. ("Penwell"), through its undersigned attorneys, hereby makes application pursuant to the provisions of N.M.Stat. Ann. § 70-2-17, (1978), for an order pooling all mineral interests in the W/2 of Section 32, for all formations developed on 320-acre spacing, the SW/4 of Section 32 for all formations developed on 160-acre spacing, the N/2 SW/4 of Section 32 for all formations developed on 80-acre spacing, and the NE/4 SW/4 of Section 32 for all formations developed on 40-acre spacing, all in Township 21 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

1. Penwell is a working interest owner in the W/2 of Section 32, and has the right to drill thereon.
2. Penwell proposes to drill its Rifleman North AFQ 32 State Com Well No. 1 at a standard location 1980 feet from the South and West lines in the NE/4 SW/4 of Section 32 to a depth sufficient to test any and all formations from the surface to the base of the Strawn formation.
3. Applicant has sought and been unable to obtain either voluntary agreement for

pooling or farmout from certain interest owners in the W/2 of said Section 32.

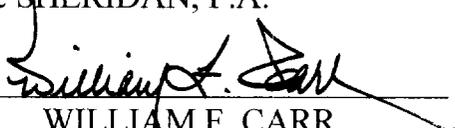
4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit Penwell to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Penwell should be designated the operator of the well to be drilled.

WHEREFORE, Penwell Energy, Inc. prays that this application be set for hearing before an Examiner of the Oil Conservation Division on April 4, 1996 and, after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions designating Penwell Energy, Inc. operator of all pooled units in the W/2 of said Section 32, and authorizing Penwell to recover its costs of drilling, equipping and completing the well, its costs of supervision while drilling and after completion, including overhead charges, and imposing a risk factor for the risk assumed by Penwell in drilling, completing and equipping the well.

Respectfully submitted,

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

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