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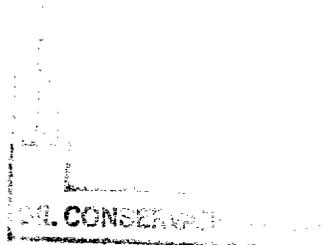
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September 3, 1996

HAND-DELIVERED

William J. LeMay, Director
Oil Conservation Division
New Mexico Department of Energy,
Minerals and Natural Resources
2040 South Pacheco Street
Santa Fe, New Mexico 87503



Re: Application of Penwell Energy, Inc. for Special Pool Rules for the East Pierce
Crossing-Bone Spring Pool, Eddy County, New Mexico

Dear Mr. LeMay:

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. respectfully requests that this matter be placed on the docket for the September 26, 1996 Examiner hearings.

Very truly yours,

WILLIAM F. CARR

WFC:mlh

Enclosures

cc: Mr. Mark Wheeler
Penwell Energy, Inc.
1100 ARCO Building
600 N. Marienfeld
Midland, TX 79701

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
SPECIAL POOL RULES FOR THE
EAST PIERCE CROSSING-
BONE SPRING POOL,
EDDY COUNTY, NEW MEXICO.

CASE NO. 11619

APPLICATION

PENWELL ENERGY, INC. ("Penwell"), by its undersigned attorneys, hereby makes application to the Oil Conservation Division for an Order promulgating the Special Pool Rules and Regulations for the East Pierce Crossing-Bone Spring Pool to provide for a special gas/oil ratio of 10,000 to 1 and in support thereof states:

1. Penwell Energy, Inc. is a operator of wells in the East Pierce Crossing-Bone Spring Pool which was established on November 1, 1994 by Order No. R-10234 and includes the following acreage:

Township 24 South, Range 29 East, N.M.P.M.

Section 33: NE/4

2. The wells in this pool are produced under statewide rules which limit production to a gas-oil ratio of 2,000 cubic feet of gas per barrel of oil produced.

3. Operating this pool under a 2,000 to 1 gas-oil ratio is not depleting the

reservoir in an efficient and timely manner.

4. Penwell Energy, Inc. seeks the adoption of the Special Rules and Regulations for this pool to increase the limiting gas-oil ratio to 10,000 cubic feet of gas per barrel of oil produced.

5. Approval of this application will protect the correlative rights of each operator in the pool by affording each the opportunity to produce its just and equitable share of gas and oil from this pool, will prevent waste of hydrocarbons and is otherwise in the best interest of conservation.

WHEREFORE, Penwell Energy, Inc., requests that this application be set for hearing before a duly appointed Examiner of the Oil Conservation Division on September 26, 1996, and after notice and hearing as required by law, the Division enter its Order approving this application.

Respectfully submitted,

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

By: 
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ATTORNEYS FOR PENWELL ENERGY, INC.