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September 10, 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 87505

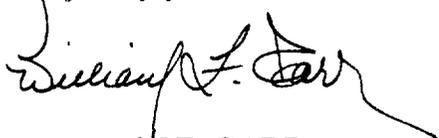
RE: [unclear]
10/3/96
11622

Re: Application of Penwell Energy, Inc. for Compulsory Pooling, Lea 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 a legal advertisement. Penwell Energy, Inc. respectfully requests that this matter be placed on the docket for the October 3, 1996 Examiner hearings.

Very truly yours,



WILLIAM F. CARR
WFC:mlh

Enclosures

cc: Mark Wheeler (w/enclosures)
Penwell Energy Inc.
1100 ARCO Building
600 Marienfeld
Midland, TX 79701

BEFORE THE
OIL CONSERVATION DIVISION

NEW MEXICO DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES

RECEIVED

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

NOV 1 1996

Oil Conservation Division

CASE NO. 111022

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 from the surface to the base of the Bone Spring formation underlying the NW/4 SE/4 of Section 24, Township 22 South, Range 32 East, N.M.P.M., Lea County, New Mexico, and in support thereof states:

1. Penwell is the owner of a working interest in the NW/4 SE/4 of Section 24, and has the right to drill thereon.
2. Penwell proposes to drill its Checkers 24 Federal Well No. 1 at a standard location 1980 feet from the South and East lines (Unit J) of Section 24 to a depth of approximately 9,000 feet to test any and all formations from the surface to the base of the Bone Spring formation, Red Tank-Bone Spring Pool.
3. Applicant has not obtained either voluntary agreement for pooling or farmout from certain interest owners in the NW/4 SE/4 of said Section 24.
4. Said pooling of interests will avoid the drilling of unnecessary wells, will

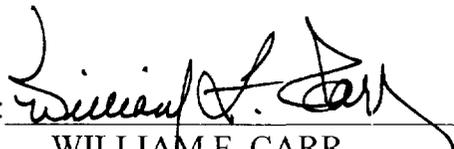
prevent waste and will protect correlative rights.

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 October 3, 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 the NW/4 SE/4 of said Section 24, 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.

By: 

WILLIAM F. CARR
Post Office Box 2208
Santa Fe, New Mexico 87504
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ATTORNEYS FOR PENWELL ENERGY, INC.