

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. 11667

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 all formations developed on 320-acre spacing in the E/2, in all formations developed on 160-acre spacing in the SE/4 of Section 29, Township 23 South, Range 26 East, N.M.P.M., Eddy County, New Mexico, and in support thereof states:

1. Penwell owns or represents approximately 50% of the working interest in the E/2 of said Section 29, and applicant has the right to drill thereon.
2. Penwell proposes to dedicate the above-referenced spacing or proration unit to its F. H. "29" Federal Com. Well No. 1 to be drilled at a standard well location 1980 feet from the South line and 660 feet from the East line of said Section 29.
3. Penwell proposes to drill to a depth sufficient to test all formations from the surface to the base of the Morrow formation, South Carlsbad-Morrow Gas Pool.
4. Penwell has sought and been unable to obtain either voluntary agreement for pooling or farmout from certain interest owners in the E/2 of said Section 29.

5. Said pooling of interests will prevent waste and will protect correlative rights.

6. 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. requests that this application be set for hearing before an Examiner of the Oil Conservation Division on December 5, 1996 and, after notice and hearing as required by law, the Division enter its order pooling the lands, including provisions for Penwell to recover its costs of supervision of the well, including overhead charges, and imposing a risk factor for the risk assumed by the Penwell in drilling, completing and equipping the well.

Respectfully submitted,

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& SHERIDAN, P.A.

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ATTORNEYS FOR PENWELL ENERGY, INC.

CASE 11667:

Application of Penwell Energy, Inc. for compulsory pooling, Eddy County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests in all formations developed on 320-acre spacing underlying the E/2, in all formations developed on 160-acre spacing underlying the SE/4 from the surface to the base of the Morrow formation in of Section 29, Township 23 South, Range 26 East. Said unit is to be dedicated to its F. H. "29" Federal Com. Well No. 1 which will be drilled at a standard location 1980 feet from the ~~S~~South line and 660 feet from the East line of said Section 29. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 8 miles south of Carlsbad, New Mexico.