

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 POOL CONTRACTION, POOL EXPANSION
AND SPECIAL POOL RULES ,
EDDY COUNTY, NEW MEXICO.

CASE NO. 11673

APPLICATION

PENWELL ENERGY, INC. ("Penwell"), by its undersigned attorneys, hereby makes application to the Oil Conservation Division for an Order (1) contracting the East Pierce-Bone Spring Pool, (2) creating a new pool for the production of hydrocarbons in the Bone-Spring formation and promulgating the Special Pool Rules and Regulations for this new pool to provide for a special gas/oil ratio of 6,000 to 1 and in support thereof states:

1. Penwell Energy, Inc. owns and operates certain wells located in the East Pierce Crossing-Bone Spring Pool which was established on November 1, 1994 by Order No. R-10234 and has been extended to include the following acreage:

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

Section 14: W/2
Section 23: NW/4

2. Data obtained from wells recently drilled in this area establish that this pool should be contracted to exclude the following acreage:

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

Section 14: W/2

and a new pool created for a separate source of supply for the production of hydrocarbons from the Bone Spring formation to include the following acreage:

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

Section 2: All

Section 10: E/2 E/2

Section 11: All

Section 14: All

Section 15: NE/4 NE/4

3. The wells in this new 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 new pool to increase the limiting gas-oil ratio to 6,000 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 December 19, 1996, and, after notice and hearing as required by law, the Division enter its Order approving this application.

Respectfully submitted,

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& SHERIDAN, P.A.

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ATTORNEYS FOR PENWELL ENERGY, INC.

CASE 11673:

Application of Penwell Energy, Inc. for Pool Contraction, Pool Expansion and Special Pool Rules, Eddy County, New Mexico. Applicant, in the above-styled cause seeks the contraction of the East Pierce-Bone Spring Pool by the deletion of the W/2 of Section 14, and the creation of a new pool for the production of hydrocarbons from the Bone Springs formation comprised of all of portions of Sections 2, 10, 11, 14 and 15 all in Township 24 South, Range 29 East, NMPM. Applicant also seeks and the adoption of Special Pool Rules for this new pool including a provision for a special gas-oil ratio of 6,000 cubic feet of gas per barrel of oil. Said area is located approximately 20 miles southeast of Carlsbad, New Mexico.