



STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT

OIL CONSERVATION DIVISION

2040 S. PACHECO
SANTA FE, NEW MEXICO 87505
(505) 827-7131

December 27, 1996

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OIL CONSERVATION DIVISION

Pennwell Energy, Inc.
c/o Campbell, Carr, Berge, & Sheridan P. A.
P. O. Box 2208
Santa Fe, New Mexico 87504-2208
Attn: William F. Carr

Administrative Order NSL-3751

Dear Mr. Carr:

Reference is made to your application dated December 5, 1996, on behalf of the operator Penwell Energy, Inc., for an unorthodox gas well location in the Undesignated South Carlsbad-Morrow Gas Pool for the proposed F. H. "28" State Com Well No. 2 (API No. 30-015-29270). Said well to be drilled 1980 feet from the South line and 1650 feet from the West line (Unit K) of Section 28, Township 23 South, Range 26 East, NMPM, Eddy County, New Mexico.

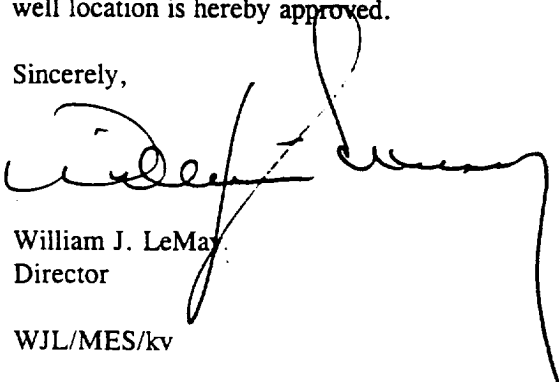
The S/2 of said Section 28 being a standard 320-acre gas spacing and proration unit for said pool is to be dedicated to said well.

The geologic interpretation submitted with this application indicates that a well drilled at the proposed unorthodox gas well location will be at a more favorable geologic position within the Morrow formation than a well drilled at a location considered to be standard.

The application has been duly filed under the provisions of Rule 104.F of the General Rules and Regulations of the New Mexico Oil Conservation Division ("Division"), revised by Division Order No. R-10533, issued by the Oil Conservation Commission in Case 11,351 on January 18, 1996.

By the authority granted me under the provisions of RULE 2(d) of the "General Rules for the Prorated Gas Pools of New Mexico/Special Rules and Regulations for the South Carlsbad-Morrow Gas Pool", as promulgated by Division Order No. R-8170, as amended, and Division General Rule 104.F(2), the above-described unorthodox gas well location is hereby approved.

Sincerely,


William J. LeMay
Director

WJL/MES/kv

cc: New Mexico Oil Conservation Division - Artesia
New Mexico State Land Office - Santa Fe