

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,
LEA COUNTY, NEW MEXICO.

CASE NO. 11732

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 NE/4 NE/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 owns or represents 81.575% of the working interest in the NE/4 NE/4 of said Section 24, and has the right to drill thereon.
2. Penwell proposes to drill its Checkers "24" Federal Well No. 4 at a standard location 990 feet from the North and East lines (Unit A) 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. Penwell has sought and been unable to obtain either voluntary agreement for pooling or farmout from certain interest owners in the NE/4 NE/4 of said Section 24.
5. Said pooling of interests will avoid the drilling of unnecessary wells, will

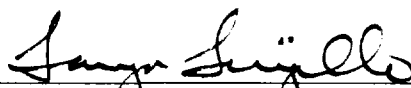
prevent waste and will protect correlative rights.

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 February 20, 1997 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 NE/4 NE/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.

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