

PENWELL ENERGY, INC.

1100 ARCO BUILDING
600 N. MARIENFELD
MIDLAND, TEXAS 79701

OFF: (915) 683-2534
FAX: (915) 683-4514

February 24, 1997

Mr. David Sleeper
Texaco Exploration & Production Inc.
4601 DTC Blvd.
Denver, Colorado 80237

Joint Operating Agreement
Cochiti Prospect (NM 072)
Cochiti "32" State Com #1 Well
1650' FWL & 660' FNL Section 32
Township 23 South, Range 29 East
Eddy County, New Mexico

Gentlemen:

Please find enclosed for your review and signature the following:

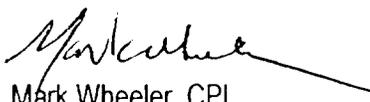
- (1) Joint Operating Agreement and additional signature page
- (2) Two (2) original AFEs covering Cochiti "32" State Com #1 Well

Upon completion of your review please return to our office a signed signature page to the Operating Agreement, and a signed AFE. Please call our office if you have any questions. Thank you.

Yours very truly,

BEFORE THE
OIL CONSERVATION DIVISION
Santa Fe, New Mexico

PENWELL ENERGY, INC.


Mark Wheeler, CPL
Land Manager - Permian Basin

Case No. 11783 Exhibit No. 3

Submitted by: Penwell Energy, Inc.

Hearing Date: May 15, 1997

EXHIBIT A

Mr. David Sleeper
Texaco Exploration and Production Inc.
Post Office Box 2100
Denver, CO 80201

CAMPBELL, CARR, BERGE
& SHERIDAN, P.A.
LAWYERS

MICHAEL B. CAMPBELL
WILLIAM F. CARR
BRADFORD C. BERGE
MARK F. SHERIDAN
MICHAEL H. FELDEWERT
ANTHONY F. MEDEIROS
PAUL R. OWEN

JACK M. CAMPBELL
OF COUNSEL

JEFFERSON PLACE
SUITE 1 - 110 NORTH GUADALUPE
POST OFFICE BOX 2208
SANTA FE, NEW MEXICO 87504-2208
TELEPHONE: (505) 988-4421
FACSIMILE: (505) 983-6043
E-MAIL: ccbspa@ix.netcom.com

April 24, 1997

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

Mr. David Sleeper
Texaco Exploration & Production, Inc.
Post Office Box 2100
Denver, CO 80201

Re: In the Matter of the Application of Penwell Energy, Inc. for Compulsory
Pooling, Eddy County, New Mexico

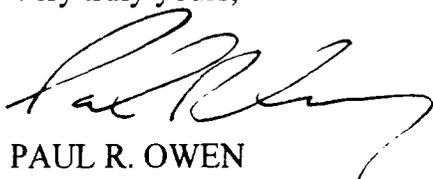
Mr. Sleeper:

This letter is to advise you that Penwell Energy, Inc. has filed the enclosed application with the New Mexico Oil Conservation Division. You are the owner of an interest that may be affected by this application.

This matter has been set for hearing before a Division Examiner on May 15, 1997. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases have been requested by the Division (Memorandum 2-90) to file a Prehearing Statement substantially in the form prescribed by the Division. Prehearing statements should be filed by 4:00 o'clock p.m. on the Friday before a scheduled hearing.

Very truly yours,



PAUL R. OWEN
ATTORNEY FOR PENWELL ENERGY, INC.
PRO/edr
Enclosure

Is your RETURN Registered on the reverse side?

SENDER:

- Complete items 1 and/or 2 for additional services.
- Complete items 3, 4a, and 4b.
- Print your name and address on the reverse of this form so that we can return this card to you.
- Attach this form to the front of the mailpiece, or on the back if space does not permit.
- Write "Return Receipt Requested" on the mailpiece below the article number.
- The Return Receipt will show to whom the article was delivered and the date delivered.

I also wish to receive the following services (for an extra fee):

- 1. Addressee's Address
 - 2. Restricted Delivery
- Consult postmaster for fee.

3. Article Addressed to:

Mr. David Sleeper
 Texaco Exploration & Production, Inc.
 Post Office Box 2100
 Denver, CO 80201

4a. Article Number

9087 492 334

4b. Service Type

- Registered
- Express Mail
- Return Receipt for Merchandise
- COD

7. Date of Delivery

4-28

5. Received By: (Print Name)

8. Addressee's Address (Only if requested and fee is paid)

6. Signature: (Addressee or Agent)

David Sleeper

PS Form 3811, December 1994

Domestic Return Receipt

Thank you for using Return Receipt Service.

P 087 492 334



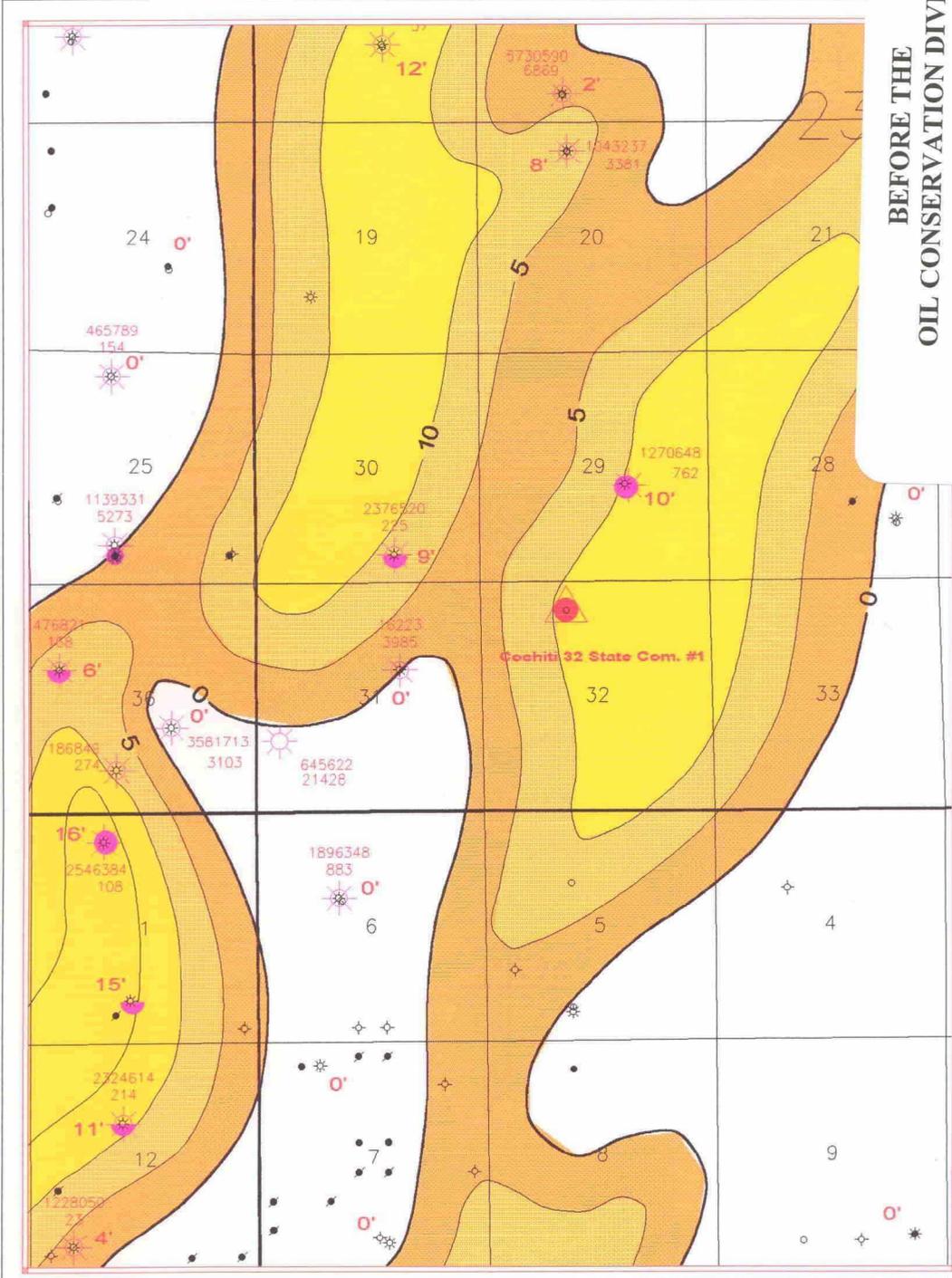
Receipt for Certified Mail

No Insurance Coverage Provided

Mr. David Sleeper
 Texaco Exploration & Production, Inc.
 Post Office Box 2100
 Denver, CO 80201

Postage	\$
Restrict. Delivery Fee	
Return Receipt Service Fee	
Return Receipt for Merchandise	
Return Receipt for Signature Confirmation	
Return Receipt for Restricted Delivery	
TOTAL Postage & Fees	\$2.75
Postmark or Date	April 24, 1997

PS Form 3811 June 1994



- LEGEND**
- ATOKA 'AC' SAND PRODUCER
 - ▲ PROPOSED LOCATION
 - ◆ ATOKA 'AC' SAND SHOW

PENWELL ENERGY, INC.		
SOUTHEAST NEW MEXICO AREA COCHITI PROSPECT, EDDY COUNTY ATOKA 'AC' SAND ISOPACH MAP		
John Thom	C.L.: 5'	9/11/96
	1:4000	cochiso.gpl

BEFORE THE
OIL CONSERVATION DIVISION
 Santa Fe, New Mexico

Case No. 11783 Exhibit No. 5

Submitted by: Penwell Energy, Inc.

Hearing Date: May 15, 1997