

District I
1625 N. French, Hobbs, NM 88240
District II
1301 W. Grand Avenue, Artesia, NM 88210
District III
1000 Rio Brazos Rd., Aztec, NM 87410
District IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505



WELL API NO. 30-005-63924
5. Indicate Type Of Lease STATE <input checked="" type="checkbox"/> FEE <input type="checkbox"/>
6. State Oil & Gas Lease No.

WELL COMPLETION OR RECOMPLETION REPORT AND LOG

1a. Type of Well: OIL WELL <input type="checkbox"/> GAS WELL <input checked="" type="checkbox"/> DRY <input type="checkbox"/> OTHER _____	7. Lease Name or Unit Agreement Name SWALE 1525-16 STATE
b. Type of Completion: NEW WELL <input checked="" type="checkbox"/> WORK OVER <input type="checkbox"/> DEEPEN <input type="checkbox"/> PLUG BACK <input type="checkbox"/> DIFF. RESVR. <input type="checkbox"/> OTHER _____	8. Well No. 2
2. Name of Operator PARALLEL PETROLEUM CORPORATION	9. Pool name or Wildcat WALNUT CREEK/WOLFCAMP 97631 **
3. Address of Operator 1004 N BIG SPRING, SUITE 400, MIDLAND TX 79701	

4. Well Location Unit Letter <u>M</u> : <u>760</u> Feet From The <u>SOUTH</u> Line and <u>190</u> Feet From The <u>WEST</u> Line Section <u>16</u> Township <u>15S</u> Range <u>25E</u> NMPM <u>CHAVES</u> County	**DIVISION ORDER #R-12851 ATTACHED
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10. Date Spudded 10-29-2007	11. Date T.D. Reached 11-16-2007	12. Date Compl. (Ready to Prod.) 12-29-2007	13. Elevations (DF & RKB, RT, GR, etc.) GR: 3498	14. Elev. Casinghead
15. Total Depth MD: 9035	16. Plug Back T.D. MD: 8994	17. If Multiple Compl. How Many Zones?	18. Intervals Drilled By	Rotary Tools Cable Tools X
19. Producing Interval(s), of this completion - Top, Bottom, Name MD: 5210 - 8893; TVD: 4879 - 4943 WOLFCAMP				20. Was Directional Survey Made YES
21. Type Electric and Other Logs Run MUD LOG ONLY				22. Was Well Cored NO

23. CASING RECORD (Report all strings set in well)					
CASING SIZE	WEIGHT LB./FT.	DEPTH SET	HOLE SIZE	CEMENTING RECORD	AMOUNT PULLED
16		120	CONDUCTOR		
8.625	24	1440	11	915 SX	
5.5	17	9035	7.875	1130 SX	

24. LINER RECORD				25. TUBING RECORD			
SIZE	TOP	BOTTOM	SACKS CEMENT	SCREEN	SIZE	DEPTH SET	PACKER SET
					2-7/8	SN @ 5990	
26. Perforation record (interval, size, and number) MD: 5210-5763; 6180-6863; 7210-7843; 8310-8893 TVD: 4876-4889; 4900-4904; 7910-4925; 4936-4943 144 HOLES, 0.42 DIAMETER				27. ACID, SHOT, FRACTURE, CEMENT, SQUEEZE, ETC. DEPTH INTERVAL MD: 5210 - 8893 AMOUNT AND KIND MATERIAL USED 15% HCL, SLICK WATER, 20/40 BRADY SAND; 4 STAGES (NO CO2)			

28. PRODUCTION							
Date First Production 12-29-2007		Production Method (Flowing, gas lift, pumping - Size and type pump) FLOWING				Well Status (Prod. or Shut-in) PROD	
Date of Test 12-31-2997	Hours Tested 24 HOURS	Choke Size 48/64	Prod'n For Test Period	Oil - Bbl. O	Gas - MCF 1165	Water - Bbl. 100	Gas - Oil Ratio
Flow Tubing Press. 380	Casing Pressure 540	Calculated 24-Hour Rate	Oil - Bbl. 0	Gas - MCF 1165	Water - Bbl. 100	Oil Gravity - API -(Corr.)	
29. Disposition of Gas (Sold, used for fuel, vented, etc.) SOLD						Test Witnessed By	

30. List Attachments

31. I hereby certify that the information shown on both sides of this form is true and complete to the best of my knowledge and belief	
Signature <u>Kaye McCormick</u>	Printed Name KAYE MC CORMICK
E-mail address	Title SR PROD & REG TECH Date 01-14-2008

INDICATE FORMATION TOPS IN CONFORMANCE WITH GEOGRAPHICAL SECTION OF STATE

OIL OR GAS SANDS OR ZONES

IMPORTANT WATER SANDS

No. 1, from _____ to _____ feet

No. 2, from _____ to _____ feet

No. 3, from _____ to _____ feet

LITHOLOGY RECORD (Attach additional sheet if necessary)

From	To	Thickness in Feet	Lithology

From	To	Thickness in Feet	Lithology

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State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Francis Dr.
Santa Fe, NM 87505

Form C-102
Revised October 12, 2005
Submit to Appropriate District Office
State Lease - 4 Copies
Fee Lease - 3 Copies

☐ AMENDED REPORT

WELL LOCATION AND ACREAGE DEDICATION PLAT

¹ API Number 30-005-63924		² Pool Code 97631	³ Pool Name WALNUT CREEK/WOLFCAMP
⁴ Property Code	⁵ Property Name SWALE 1525-16 STATE		⁶ Well Number 2
⁷ OGRID No. 230387	⁸ Operator Name PARALLEL PETROLEUM CORPORATION		⁹ Elevation GR: 3498


¹⁰ Surface Location

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
M	16	15S	25E		760	SOUTH	190	WEST	CHAVES

¹¹ Bottom Hole Location If Different From Surface

UL or lot no.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
P	16	15S	25E		833	SOUTH	693	EAST	CHAVES
¹² Dedicated Acres 320	¹³ Joint or Infill	¹⁴ Consolidation Code		¹⁵ Order No.					

No allowable will be assigned to this completion until all interests have been consolidated or a non-standard unit has been approved by the division.

<div style="text-align: center;">16</div>				¹⁷ OPERATOR CERTIFICATION <i>I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or unleased mineral interest in the land including the proposed bottom hole location or has a right to drill this well at this location pursuant to a contract with an owner of such a mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.</i>  Date 01-14-2008 KAYE MC CORMICK Printed Name	
	320 ACRES				
<div style="text-align: center;"> ¹⁸ SURVEYOR CERTIFICATION <i>I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my belief.</i> </div>					
Date of Survey Signature and Seal of Professional Surveyor:					
Certificate Number					

190 PP
848
SI
760 1795
BHL
693
833

**STATE OF NEW MEXICO
ENERGY, MINERALS AND NATURAL RESOURCES DEPARTMENT
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:**

**CASE NO. 13986
ORDER NO. R-12851**

**APPLICATION OF PARALLEL PETROLEUM CORPORATION FOR THE ADOPTION
OF SPECIAL RULES AND REGULATIONS FOR THE WALNUT CREEK-
WOLFCAMP GAS POOL, CHAVES COUNTY, NEW MEXICO**

ORDER OF THE DIVISION

BY THE DIVISION:

This case came on for hearing at 8:15 a.m. on September 20, 2007, at Santa Fe, New Mexico, before Examiners David K. Brooks Esq. and William V. Jones.

NOW, on this 17th day of December, 2007, the Division Director, having considered the testimony, the record and the recommendations of the Examiners,

FINDS THAT:

(1) Due public notice has been given, and the Division has jurisdiction of this case and of the subject matter.

(2) Parallel Petroleum Corporation ("applicant" or "Parallel"), requests the Division adopt Special Pool Rules and Regulations for the Walnut Creek-Wolfcamp Gas Pool (97631) to provide for the following:

(a) to authorize within a standard 320-acre spacing unit the drilling and simultaneous dedication of a maximum of two horizontally drilled Wolfcamp gas wells; and

(b) exemption from the well density requirements of Rule 104.D to allow these two horizontal wells.

(3) The Walnut Creek-Wolfcamp Gas Pool (97631) was created with effective date November 1, 2007 in Division Order No. R-12831, and currently covers the following lands in Chaves County, New Mexico:

Township 15 South, Range 25 East, NMPM

Section 16: All
Section 17: S/2

(4) Parallel completed the discovery well in this Pool as a Wolfcamp gas well on July 11, 2007. The Swale State Com 1525-16 Well No. 1 (API No. 30-005-63886) was drilled

horizontally and is located in the N/2 S/2 of Section 16 so as to drain both quarter sections. It was first drilled vertically in Unit L and logged; then a kickoff plug was set, and the well drilled horizontally to a terminus in Unit I.

(5) Parallel is the only operator currently drilling and producing wells in this pool.

(6) No other party entered an appearance or otherwise opposed this application.

(7) Parallel intends to drill a new horizontal wellbore in the S/2 S/2 of Section 16 within the same standard 320-acre spacing unit as the discovery well. Parallel has obtained approval of its APD to drill the Swale State Com 1525-16 No. 2 (API No. 30-005-63924).

(8) Division records show that on September 11, 2007, the Division approved Parallel's application to simultaneously dedicate two horizontally drilled gas wells to the S/2 of Section 16 (Administrative Order SD-200723).

(9) Division Rule 111 establishes the rules and regulations for the drilling of directional wells, and by definition includes "horizontal" wells, but does not limit the number of horizontal wells that can be drilled within a Project Area. Instead Rule 111 refers to a project area "that is enclosed by the outer boundaries of a spacing unit or a combination of complete spacing units," and incorporates by reference Rule 104 to define a "spacing unit".

(10) Division Rule 104.C(2), applicable to gas wells in the Wolfcamp formation, allows two wells in a 320-acre spacing unit with each well located in a different quarter section of the 320-acre spacing unit. This rule does not specifically address horizontal wells.

(11) At the hearing Parallel presented testimony that demonstrates that:

(a) The portion of the reservoir being depleted by the first horizontal well in a standard 320-acre Wolfcamp gas spacing unit is generally limited to only half of that spacing unit and an additional horizontal well will normally be needed to recover existing gas reserves within that spacing unit.

(b) A second horizontal well drilled similarly to the first horizontal well (length-wise across both quarter sections) should be allowed by Special Pool Rules, in order to recover gas that might otherwise not be recovered and therefore to protect correlative rights and prevent waste.

(c) Neither of the two horizontal wells will adversely affect the other or the correlative rights of the offsetting interest owners.

(d) Horizontal wells with multistage, "slick-water" hydraulic fracture treatments, drilled in an east-west direction, are necessary and preferable to

drilling multiple vertical wells in order to economically recover gas from the Wolfcamp formation within and around the Walnut Creek-Wolfcamp Gas Pool.

(e) Parallel has provided written notice of this hearing and of this application to all operators within this pool and within 1 mile of the pool boundaries and otherwise to all "affected parties" as defined in Division Rule 1210A(4).

(f) The Walnut Creek-Wolfcamp Gas Pool is part of what can be considered the Artesia Area Wolfcamp Horizontal Gas play which extends in a northeast to southwest swath from Township 14 South, Range 26 East to Township 19 South, Range 21 East.

(g) The evidence presented in support of allowing two horizontal gas wells in the Walnut Creek-Wolfcamp Gas Pool could also be used to justify allowing this same relief elsewhere within the Artesia Area Wolfcamp Horizontal Gas Play area.

(12) The Division encourages one or more operators within this Area to provide the proper notice and present a case for approval of these same rule exceptions for all Wolfcamp gas development within this Artesia Area Wolfcamp Horizontal Gas Play.

(13) Parallel's application for special pool rules for the Walnut Creek-Wolfcamp Gas Pool to allow two horizontal gas wells per spacing unit, both wells optionally drilled into both quarter sections, and thereby allow an exception to Division Rule 104D, should be approved in order to prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED THAT:

(1) The application of Parallel Petroleum Corporation is hereby granted, and the following Special Pool Rules for the Walnut Creek-Wolfcamp Gas Pool (97631) are hereby promulgated:

**SPECIAL RULES
FOR THE
WALNUT CREEK-WOLFCAMP GAS POOL**

RULE 1; Each well completed or re-completed in the Walnut Creek-Wolfcamp Gas Pool shall be spaced, drilled, operated, and produced in accordance with Division Rules or as otherwise specified in the Special Rules hereinafter set forth.

RULE 2. Up to two horizontal wells may be drilled and may simultaneously produce within a standard 320-acre gas spacing unit and both be dedicated to that unit. Both of these wells may be completed in both quarter sections.

RULE 3. Each horizontal well shall be drilled so that no portion of the

well is nearer than 660 feet to any boundary of the spacing unit while within the vertical boundaries of this pool.

RULE 4. Exceptions to these Special Rules shall be allowed in accordance with Division Rules.

(2) The effective date for these Special Pool Rules shall be November 1, 2007.

(3) Jurisdiction of this case is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.



SEAL

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION

MARK E. FESMIRE, P.E.
Director