

New Mexico Energy, Minerals and Natural Resources Department

Bill Richardson
Governor

Joanna Prukop
Cabinet Secretary
Reese Fullerton
Deputy Cabinet Secretary

Mark Fesmire
Division Director
Oil Conservation Division



July 7, 2008

Mr. W. Thomas Kellahin
Kellahin & Kellahin
706 Gonzales Rd
Santa Fe, NM 87501

JUL 28 2008
OCD-ARTESIA

Administrative Order SD-200820

Re: Parallel Petroleum Corporation
Gate Dancer 1525-32 Well No. 2
API No. 30-005-64025
Unit H, Section 32, Twsp 15S, Range 25E
Chaves County

Dear Mr. Kellahin:

Reference is made to the following:

(a) your application (**administrative SD application reference No. pKVR08-16159284**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on June 9, 2008, on behalf of Parallel Petroleum Corporation (Parallel); and

(b) the Division's records pertinent to Parallel's request.

Parallel has requested to simultaneously dedicate the N/2 of Section 32, Township 15 South, Range 25 East in Chaves County, New Mexico, in the Wolfcamp formation, to:

(a) its proposed Gate Dancer 1525-32 Well No. 2 (API No. 30-005-64025) (the proposed well), a horizontal gas well to be drilled to the Wolfcamp formation from an unorthodox surface location 1880 feet from the North line and 184 feet from the East line (Unit H) of Section 32 to an orthodox point of penetration of the Wolfcamp, approximately 2003 feet from the North line and 660 feet from the East line (Unit H) of said section, and thence to an orthodox terminus, or bottom-hole location, 1980 feet from the North line and 660 feet from the West line (Unit E) of said section; and



(b) its existing Gate Dancer 1525-32 Well No. 1Y (API No. 30-005-63885) (the existing well), a horizontal gas well drilled to the Wolfcamp formation from an unorthodox surface location 780 feet from the North line and 165 feet from the East line (Unit A) of Section 32 to an orthodox point of penetration of the Wolfcamp, 780 feet from the North line and 660 feet from the East line (Unit A) of said section, and thence to an orthodox terminus, or bottom-hole location, 780 feet from the North line and 660 feet from the West line (Unit D) of said section.

The N/2 of Section 32 is a standard 320-acre, more or less, gas spacing unit in the Cottonwood Creek-Wolfcamp Gas Pool (75250). Well density in this area is governed by statewide Rule 104.C(2), which, as applied to this unit, allows two wells to be completed in the unit, but requires that the wells be in different quarter sections. Because the proposed well will be completed within both quarter sections of this 320-acre unit, and the existing well is also completed in both quarter sections, division approval for simultaneous dedication is required.

Your application on behalf of Parallel has been duly filed under the provisions of Division Rules 104.D(3) and 1210.A(2).

It is our understanding Parallel has proposed the simultaneous dedication of this unit to the two wells described for geological reasons, in order to prevent waste and maximize production from this unit.

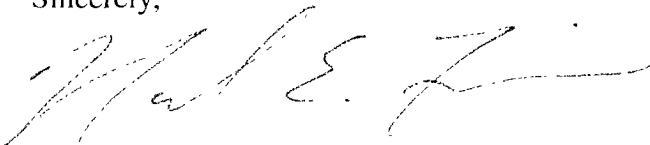
We further understand that all "affected persons" in offsetting units within the Wolfcamp formation have been duly notified of the filing of this application.

Pursuant to the authority granted by Rule 104.D(3), the above-described simultaneous dedication is hereby approved.

This approval is subject to your being in compliance with all other applicable Division rules, including, but not limited to Division Rule 40.

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

Sincerely,

A handwritten signature in black ink, appearing to read 'Mark E. Fesmire', written in a cursive style.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia