

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:)

APPLICATION OF PARALLEL PETROLEUM)
CORPORATION FOR APPROVAL OF A UNIT)
AGREEMENT, EDDY COUNTY, NEW MEXICO)

CASE NO. 13,863

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: DAVID K. BROOKS, Jr., Hearing Examiner

January 18th, 2007

Santa Fe, New Mexico

This matter came on for hearing before the New Mexico Oil Conservation Division, DAVID K. BROOKS, Jr., Hearing Examiner, on Thursday, January 18th, 2007, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

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I N D E X

January 18th, 2007
 Examiner Hearing
 CASE NO. 13,863

	PAGE
APPEARANCES	3
REPORTER'S CERTIFICATE	8

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E X H I B I T S

Applicant's	Identified	Admitted
Exhibit A	4	6
Exhibit 1	5	6
Attachment A	5	6
Attachment B	5	6
Attachment B-1	5	6
Attachment C	5	6
Attachment D	6	6
Attachment E	6	6
Attachment F	6	6
Attachment G	6	6
Attachment H	6	6
Exhibit 2	6	6

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A P P E A R A N C E S

FOR THE APPLICANT:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR
110 N. Guadalupe, Suite 1
P.O. Box 2208
Santa Fe, New Mexico 87504-2208
By: OCEAN MUNDS-DRY

* * *

STEVEN T. BRENNER, CCR
(505) 989-9317

1 WHEREUPON, the following proceedings were had at
2 2:48 p.m.:

3
4 EXAMINER BROOKS: Call Case Number 13,863,
5 Application of Parallel Petroleum Corporation for approval
6 of a unit agreement, Eddy County, New Mexico.

7 MS. MUNDS-DRY: Mr. Examiner, Ocean Munds-Dry
8 with the law firm of Holland and Hart, here representing
9 Parallel Petroleum Corporation this afternoon.

10 And again I'll be submitting this case by
11 affidavit.

12 EXAMINER BROOKS: Very good.

13 MS. MUNDS-DRY: Mr. Examiner, Parallel seeks
14 approval of the Hope State Exploratory Unit. This unit is
15 comprised of 1840 acres of all State of New Mexico lands
16 and is located approximately four miles southwest of Hope,
17 New Mexico.

18 Again I'll ask you to bear with me on the
19 numbering on these exhibits.

20 Parallel Exhibit Number A is the affidavit of
21 Michael Gray, who again is the petroleum landman
22 identifying the project. They also seek to test all
23 formations from the surface to the top of the Wolfcamp
24 shale.

25 The initial test well will also be a horizontal

1 well, and it will be located at a surface location of 778
2 feet from the north line and 200 feet from the east line,
3 and will have a bottomhole location of 778 feet from the
4 south line and 660 feet from the west line in Section 16,
5 Township 18 South, Range 21 East. And it will go to an
6 approximate vertical depth of 4450 feet.

7 Exhibit 1 to the affidavit is the AFE showing the
8 proposed well cost will be \$2,411,800.

9 Attachment A is a copy of the unit agreement for
10 the Hope State Exploratory unit. Again, it conforms to the
11 State Land Office form.

12 Attachment B to the affidavit is a copy of the
13 plat identifying the unit boundary. This proposed unit
14 will have a total of five tracts, as you can see in the
15 plat.

16 Attachment B-1 is a copy of the C-102, showing
17 the projected well path and the surface and bottomhole
18 location.

19 Attachment C is a copy of Schedule B to the unit
20 agreement, and again shows the ownership breakdown for the
21 unit.

22 There are five different leases here. And I'll
23 note again as I did in the previous case, Mr. Examiner,
24 that the first leases in this unit expire May 1st, 2007.
25 The other three are a little farther out, we've got some

1 time on those. But May 1 is the critical date.

2 A hundred percent of the working interest in this
3 unit is committed, and 100 percent of the royalty is owned
4 by the State.

5 Attachment D is a copy of the letter from the
6 Commissioner of Public Lands, giving preliminary approval
7 to the formation of this unit.

8 Attachment E is a gross isopach map. Parallel
9 believes this reservoir is open to restricted platform
10 environment behind a Wolfcamp platform margin situated
11 Basinward from the production.

12 And Attachment F is a structure map of the top of
13 the Wolfcamp. Again, it shows a regionally deposited zone
14 from which true structural depth across the proposed unit
15 is shown.

16 And Attachment G and Attachment H are again a
17 northwest-southeast-oriented stratigraphic and a north-
18 south-oriented stratigraphic cross-section.

19 And finally, Parallel Exhibit Number 2 is the
20 affidavit of publication.

21 And with that, we'd ask that Parallel Exhibit
22 Number 1, 2 and Exhibit A and its attachments be admitted
23 into evidence.

24 EXAMINER BROOKS: Okay, Exhibits 1 and 2, with
25 all their attachments, will be admitted into evidence.

1 And Case Number 13,863 will be taken under
2 advisement.

3 MS. MUNDS-DRY: Thank you, Mr. Examiner.

4 EXAMINER BROOKS: Thank you.

5 (Thereupon, these proceedings were concluded at
6 2:52 p.m.)

7 * * *

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15 I do hereby certify that the foregoing is
16 a complete record of the proceedings in
17 the Examiner hearing of Case No. 13863,
18 heard by me on Jan 20 18 2007.
19 David K. Brooks Examiner
20 Oil Conservation Division
21
22
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25

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO)
) ss.
COUNTY OF SANTA FE)

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL January 22nd, 2007.



STEVEN T. BRENNER
CCR No. 7

My commission expires: October 16th, 2010