

HOLLAND & HART^{LLP}



**Ocean Munds-Dry
Associate**

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December 19, 2006

HAND-DELIVERED

Mark E. Fesmire, P.E.
Director
Oil Conservation Division
New Mexico Energy, Minerals and
Natural Resources Department
1220 South Saint Francis Drive
Santa Fe, New Mexico 87505

Case 13864

2006 DEC 19 PM 1 27

Re: Application of Parallel Petroleum Corporation for compulsory pooling,
Chaves County, New Mexico.

Dear Mr. Fesmire:

Enclosed is the application of Parallel Petroleum Corporation in the above-referenced case as well as a copy of a legal advertisement. Parallel requests that this matter be placed on the docket for the January 18, 2007 Examiner hearings.

Sincerely,

Ocean Munds-Dry
Ocean Munds-Dry

Enclosures

cc: Mr. Mike Gray

Holland & Hart^{LLP}

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

**IN THE MATTER OF THE APPLICATION
OF PARALLEL PETROLEUM CORPORATION
FOR COMPULSORY POOLING,
CHAVES COUNTY, NEW MEXICO.**

CASE NO. 13864

2006 DEC 19 PM 1:27

APPLICATION

PARALLEL PETROLEUM CORPORATION, ("Parallel") through its undersigned attorneys, hereby makes application to the Oil Conservation Division pursuant to the provisions of N.M.Stat.Ann. § 70-2-17 (2006), for an order pooling all mineral interests from the surface to the base of the Wolfcamp formation in the following described spacing and proration units located in the N/2 of Section 33, Township 15 South, Range 25 East, N.M.P.M., Chaves County, New Mexico: the N/2 for all formations and/or pools developed on 320-acre spacing and in support of its application states:

1. Parallel Petroleum Corporation is a working interest owner in said Section 33 and has the right to drill thereon.

2. Parallel proposes to dedicate the above-referenced spacing or proration unit to its Personally 1525-33 Well No. 1 to be drilled as a horizontal well from an unorthodox surface location 760 feet from the North line and 147 feet from the East line of Section 32, Township 15 South, Range 25 East and will penetrate the top of the Wolfcamp formation at 760 feet from the North line and 660 feet from the West line and a bottomhole location 760 feet from the North line and 660 feet from the East line of Section 33, Township 15 South, Range 25 East, NMPM, Chaves County, New Mexico to an approximate depth of 4750 feet to test any and all formations from the surface to the base of the Wolfcamp formation.

3. Parallel has sought and been unable to gain the voluntary participation of certain interest owners in the subject spacing unit who is identified on Exhibit A to this application.

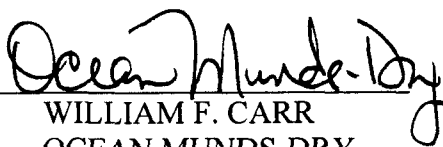
4. Said pooling of interests will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit the Parallel to obtain its just and fair share of the oil and gas underlying the subject lands, all mineral interests should be pooled, and Parallel Petroleum Corporation should be designated the operator of the well to be drilled.

WHEREFORE, Parallel Petroleum Corporation requests that this application be set for hearing before an Examiner of the Oil Conservation Division on January 18, 2007 and, after notice and hearing as required by law, the Division enter its order:

- A. pooling all mineral interests in the subject spacing and proration units,
- B. designating Parallel Petroleum Corporation operator of these units and the well to be drilled thereon,
- C. authorizing Parallel Petroleum Corporation to recover its costs of drilling, equipping and completing the well,
- D. approving the actual operating charges and costs of supervision while drilling and after completion, together with a provision adjusting the rates pursuant to the COPAS accounting procedures, and
- E. imposing a penalty for the risk assumed by Parallel Petroleum Corporation in drilling and completing the well against any working interest owner who does not voluntarily participate in the drilling of the well.

Respectfully submitted,
HOLLAND & HART LLP

By: 
WILLIAM F. CARR
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ATTORNEYS FOR PARALLEL PETROLEUM
CORPORATION

CASE 13864: Application of Parallel Petroleum Corporation for compulsory pooling, Chaves County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests from the surface to the base of the Wolfcamp formation in the following described spacing and proration units located in the N/2 of Section 33, Township 15 South, Range 25 East, N.M.P.M., Chaves County, New Mexico: the N/2 for all formations and/or pools developed on 320-acre spacing. Said unit is to be dedicated to its Personally 1525-33 Well No. 1 to be drilled at an unorthodox surface location 760 feet from the North line and 147 feet from the East line of Section 32, Township 15 South, Range 25 East and will penetrate the top of the Wolfcamp formation at 760 feet from the North line and 660 feet from the West line and a bottomhole location 760 feet from the North line and 660 feet from the East line of Section 33, Township 15 South, Range 25 East, NMPM, Chaves County, New Mexico to an approximate depth of 4750 feet to test any and all formations from the surface to the base of the Wolfcamp formation. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of Parallel Petroleum Corporation as operator of the well and a charge for risk involved in drilling said well. Said area is located 12 miles NW of Lake, New Mexico.

Arthur

EXHIBIT A

**APPLICATION OF PARALLEL PETROLEUM CORPORATION.
FOR COMPULSORY POOLING
N/2 OF SECTION 33, TOWNSHIP 15 SOUTH, RANGE 25 EAST, N.M.P.M.
CHAVES COUNTY, NEW MEXICO.**

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December 19, 2006

U.S. MAIL

Re: Application of Parallel Petroleum Corporation for compulsory
pooling, Chaves County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that Parallel Petroleum Corporation has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order pooling all mineral interests from the surface to the base of the Wolfcamp formation in certain spacing and proration units in the N/2 of Section 33, Township 15 South, Range 25 East, N.M.P.M., Chaves County, New Mexico. Said pooled units are to be dedicated to Parallel's Personally 1525-33 Well No. 1 to be drilled at an unorthodox surface location 760 feet from the North line and 147 feet from the East line of Section 32, Township 15 South, Range 25 East and will penetrate the top of the Wolfcamp formation at 760 feet from the North line and 660 feet from the West line and a bottomhole location 760 feet from the North line and 660 feet from the East line of Section 33, Township 15 South, Range 25 East, NMPM, Chaves County, New Mexico to an approximate depth of 4750 feet to test any and all formations from the surface to the base of the Wolfcamp formation.

This application has been set for hearing before a Division Examiner at 8:15 a.m. on January 18, 2007. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. 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 are required by Division Rule 1208.B to file a Pre-hearing Statement four days in advance of a scheduled hearing. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,

Ocean Munds-Dry
ATTORNEY FOR PARALLEL PETROLEUM
CORP.