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Attorney at Law

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May 7, 2007

HAND DELIVERED

Mr. Mark E. Fesmire, Director
Oil Conservation Division
1220 South St. Francis Drive
Santa Fe, New Mexico 87505

Case 13932

2007 MAY 7 PM 4:48

Re: Codex 1525-34 Well No. 1
(API #30-005-63853)
N/2 Section 34, T15S R25E
Application of Parallel Petroleum Corporation
for Compulsory Pooling
Chaves County, New Mexico

Dear Mr. Fesmire:

On behalf of Parallel Petroleum Corporation, enclosed for filing is our referenced application to be set for hearing on June 7, 2007.

Very truly yours,


W. Thomas Kellahin

CC: Parallel Petroleum Corporation
Attn: Michael M. Gray

CASE 13932: Application of Parallel Petroleum Corporation for compulsory pooling, Chaves County, New Mexico. Applicant seeks an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the following described acreage in Section 34, T15S, R25E, NMPM, in the following manner: the N/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within that vertical extent. This unit is to be dedicated to its Codex 1525-34 Well No. 1 (API # 30-005-63853) which will be located at an unorthodox surface location 1750 feet FNL and 203 feet FEL (Unit H) and when the vertical wellbore penetrates the Wolfcamp formation then drilled horizontally in a westerly direction staying within a producing area 660 feet from each of the end boundary of this spacing unit and ending at a bottom hole location 1880 feet FNL and 660 feet FWL (Unit E). Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a 200% charge for risk involved in this well. This unit is located approximately 4 miles southwest of Lake Arthur, New Mexico.

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

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

CASE NO. 13932

APPLICATION

Comes now PARALLEL PETROLEUM CORPORATION ("Parallel") by its attorneys, Kellahin & Kellahin, and in accordance with Section 70-2-17(c) NMSA (1978), applies to the New Mexico Oil Conservation Division for an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the following described acreage in Section 34, T15S, R25E, NMPM, in the following manner: the N/2 to form a standard 320-acre gas spacing and proration unit for any and all formations and/or pools developed on 320-acre gas spacing within that vertical extent. This unit is to be dedicated to its Codex 1525-34 Well No. 1 (API # 30-005-63853) which will be located at an unorthodox surface location 1750 feet FNL and 203 feet FEL (Unit H) and when the vertical wellbore penetrates the Wolfcamp formation then drilled horizontally in a westerly direction staying within a producing area 660 feet from each of the end boundary of this spacing unit and ending at a bottom hole location 1880 feet FNL and 660 feet FWL (Unit E). Also to be considered will be the costs of drilling and completing this well and the allocation of the costs thereof as well as actual operating costs and charges for supervision, designation of the applicant as the operator of the well and a 200% charge for risk involved in this well.

In support of its application, Parallel Petroleum Corporation ("Parallel") states:

1. Parallel has the right to drill and develop the oil and gas minerals from the surface to the base of the Wolfcamp formation underlying the N/2 of Section 34, T15S, R25E, NMPM, Chaves County, New Mexico.

2. Parallel has proposed that the N/2 of this section be dedicated as a standard 320-acre gas spacing unit for production from the Wolfcamp formation to be obtained from its proposed Codex 1525-34 Well No. 1 to be located drilled as a horizontal wellbore as shown on Exhibit "A" Attached.
3. Parallel has not been able to obtain a written voluntary agreement from all the party listed on Exhibit "B."
4. Pursuant to Section 70-2-17(c) NMSA (1978) and in order to obtain its just and equitable share of potential production underlying this spacing unit, the applicant needs an order of the Division pooling the identified and described mineral interests involved in order to protect correlative rights and prevent waste.
5. Pursuant to Commission Order R-11992, effective August 15, 2003, Parallel requests that a 200% risk charge be applied.
6. In accordance with the Division's notice requirements, a copy of this application has been sent to the parties whose interest are to be pooled and whose current addresses are known as listed on Exhibit "B" of the applicant's request for a hearing of this matter before the Division on the next available Examiner's docket now scheduled for June 7, 2007.

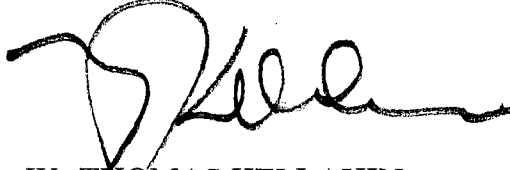
WHEREFORE, Parallel, as applicant, requests that this application be set for hearing on June 7, 2007 before the Division's duly appointed examiner, and that after notice and hearing as required by law, the Division enter its order pooling the mineral interest described in the appropriate spacing unit for the drilling of this well location upon terms and conditions which include:

- (1) Parallel Petroleum Corporation be named operator;
- (2) Provisions for applicant and all working interest owners to participate in the costs of drilling, completing, equipping and operating the well;
- (3) In the event a working interest owner fails to elect to participate, then provision be made to recover out of production, the costs of the drilling, completing, equipping and operating the well, including a risk factor charge of 200%;

(4) Provision for overhead rates per month drilling and per month operating and a provision providing for an adjustment method of the overhead rates as provided by COPAS;

(5) For such other and further relief as may be proper.

RESPECTFULLY SUBMITTED:

A handwritten signature in black ink, appearing to read 'W. Thomas Kellahin', with a large, stylized initial 'W'.

W. THOMAS KELLAHIN
KELLAHIN & KELLAHIN
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Santa Fe, New Mexico 87501
(505) 982-4285

DISTRICT I
1825 N. French Dr., Hobbs, NM 88240

DISTRICT II
1301 W. Grand Avenue, Artesia, NM 88210

DISTRICT III
1000 Rio Bravo Rd., Aztec, NM 87410

DISTRICT IV
1220 S. St. Francis Dr., Santa Fe, NM 87505

State of New Mexico
Energy, Minerals & Natural Resources Department
OIL CONSERVATION DIVISION
1220 South St. Frances 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

API Number	Pool Code 96086	Pool Name Wildcat; Wolfcamp
Property Code	Property Name CODEX 1525-34	Well Number 1
OCRID No.	Operator Name PARALLEL PETROLEUM CORPORATION	Elevation 3414'

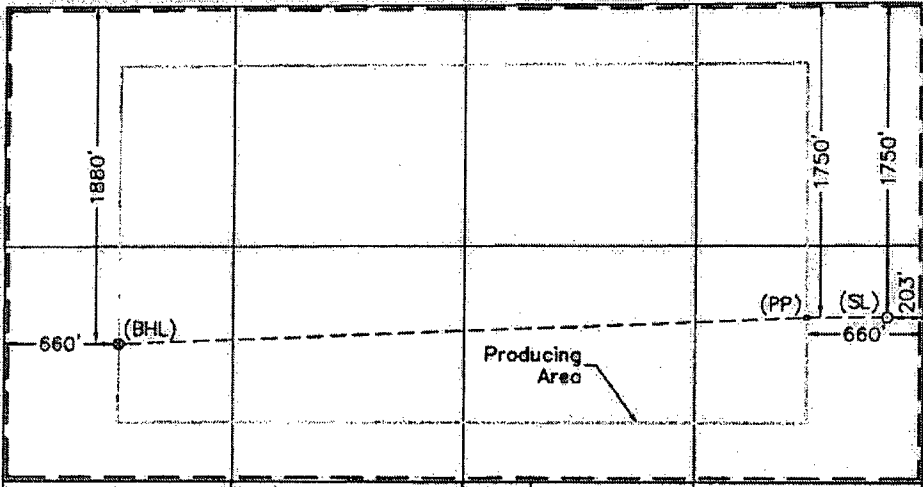
Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	34	15 S	25 E		1750	NORTH	203	EAST	CHAVES

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
E	34	15 S	25 E		1880	NORTH	660	WEST	CHAVES
Dedicated Acres	Joint or Infill	Consolidation Code	Order No.						
320									

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

 <table><tr><th colspan="2">Coordinate Table</th></tr><tr><th>Description</th><th>Plane Coordinate</th></tr><tr><td>Codex 1525-34 #1</td><td>X = 472,768.1</td></tr><tr><td>Surface Location</td><td>Y = 718,183.9</td></tr><tr><td>Codex 1525-34 #1</td><td>X = 472,311.3</td></tr><tr><td>Penetration Point</td><td>Y = 718,176.4</td></tr><tr><td>Codex 1525-34 #1</td><td>X = 468,349.2</td></tr><tr><td>Bottom Hole Location</td><td>Y = 717,978.3</td></tr></table>	Coordinate Table		Description	Plane Coordinate	Codex 1525-34 #1	X = 472,768.1	Surface Location	Y = 718,183.9	Codex 1525-34 #1	X = 472,311.3	Penetration Point	Y = 718,176.4	Codex 1525-34 #1	X = 468,349.2	Bottom Hole Location	Y = 717,978.3	<p>OPERATOR CERTIFICATION</p> <p>I hereby certify the information contained herein to be true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or undivided 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 satisfactory pooling agreement or a compulsory pooling order heretofore entered by the division.</p> <p><i>Deane Dunham</i> 7-1-06 Signature Date Deane Dunham Printed Name</p> <p>SURVEYOR CERTIFICATION</p> <p>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.</p> <p>August 21, 2006 Date of Survey Signature & Seal of Professional Surveyor <i>[Signature]</i> W.O. Num. 2006-0879 Certificate No. MACON McDONALD 12185</p>
Coordinate Table																	
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Codex 1525-34 #1	X = 472,768.1																
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Codex 1525-34 #1	X = 468,349.2																
Bottom Hole Location	Y = 717,978.3																

NOTE:

- 1) Plane Coordinates shown hereon are Transverse Mercator Grid and Conform to the "New Mexico Coordinate System", New Mexico East Zone, North American Datum of 1927. Distances shown hereon are mean horizontal surface values.

T-15-S

Exhibit "A"

EXHIBIT "B"

New Mexico Department of Transportation
Attn: Rhonda Faught, Secretary
1120 Cerillos Road
Santa Fe, NM 87501

ABO Petroleum
105 S. Fourth Street
Artesia, NM 88210

EOG Resources, Inc.
Attn: Rick Lanning
P.O. Box 2267
Midland, TX 79702

MYCO Industries, Inc.
105 S. Fourth Street
Artesia, NM 88210

Yates Drilling
105 S. Fourth Street
Artesia, NM 88210

Yates Petroleum
105 S. Fourth Street
Artesia, NM 88210