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August 19, 2008

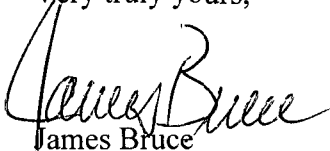
Hand delivered

Florene Davidson  
Oil Conservation Division  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

Dear Florene:

Enclosed for filing, on behalf of Parallel Petroleum Corporation, are an original and one copy of and application for compulsory pooling, together with a proposed advertisement. The advertisement has also been e-mailed to the Division. Please set this matter for the September 18, 2008 Examiner hearing. Thank you.

Very truly yours,

  
James Bruce

Attorney for Parallel Petroleum Corporation

Parties Being Pooled

Chesapeake Energy Corporation  
Chesapeake Exploration Limited Partnership  
P.O. Box 18496  
Oklahoma City, Oklahoma 73154-0496

**BEFORE THE NEW MEXICO OIL CONSERVATION DIVISION**

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

Case No. \_\_\_\_\_

**APPLICATION**

Parallel Petroleum Corporation applies for an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the S½ of Section 3, Township 15 South, Range 25 East, N.M.P.M., and in support thereof, states:

1. Applicant is an interest owner in the S½ of Section 5, and has the right to drill a well thereon.

2. Applicant proposes to drill its Go for Gin 1525-3A Well No. 1, to a depth sufficient to test the Wolfcamp formation, and seeks to dedicate the S½ of Section 3 to the well to form a standard 320 acre gas spacing and proration unit for any formations and/or pools developed on 320 acre spacing within that vertical extent. The proposed well is a horizontal well, with a surface location 760 feet from the south line and 168 feet from the east line of Section 3. The wellbore will penetrate the Wolfcamp formation at an orthodox location 760 feet from the south line and 660 feet from the east line, and have a terminus 760 feet from the south line and 660 feet from the west line, of Section 3.

3. Applicant has in good faith sought to obtain the voluntary joinder of all other mineral interest owners in the S½ of Section 3 for the purposes set forth herein.

4. Although applicant attempted to obtain voluntary agreements from all mineral interest owners to participate in the drilling of the well or to otherwise commit their interests to the well, certain interest owners have failed or refused to join in dedicating their interests.

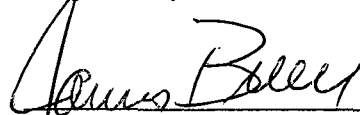
Therefore, applicant seeks an order pooling all mineral interest owners in the S½ of Section 3, pursuant to NMSA 1978 §70-2-17.

5. The pooling of all mineral interests underlying the S½ of Section 3 will prevent the drilling of unnecessary wells, prevent waste, and protect correlative rights.

**WHEREFORE**, applicant requests that, after notice and hearing, the Division enter its order:

- A. Pooling all mineral interests in the S½ of Section 3 from the surface to the base of the Wolfcamp formation;
- B. Designating applicant as operator of the well;
- C. Considering the cost of drilling and completing the well, and allocating the cost among the well's working interest owners;
- D. Approving actual operating charges and costs charged for supervision, together with a provision adjusting the rates pursuant to the COPAS accounting procedure; and
- E. Setting a 200% charge for the risk involved in drilling and completing the well in the event a working interest owner elects not to participate in the well.

Respectfully submitted,

A handwritten signature in dark ink, appearing to read "James Bruce", is written over a horizontal line.

James Bruce  
Post Office Box 1056  
Santa Fe, New Mexico 87504  
(505) 982-2043

Attorney for Parallel Petroleum Corporation

PROPOSED ADVERTISEMENT

Case No. 14185: **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 S/2 of Section 3, Township 15 South, Range 25 East, NMPM, to form a standard 320-acre gas spacing and proration unit for all formations developed on 320 acre spacing within that vertical extent. The unit is to be dedicated to the proposed Go for Gin 1525-3A Well No. 1, to be drilled from a surface location 760 feet from the south line and 168 feet from the east line of Section 3, with a penetration point in the Wolfcamp formation at an orthodox location 760 feet from the south line and 660 feet from the east line, and a terminus 760 feet from the south line and 660 feet from the west line, of Section 3. Also to be considered will be the cost of drilling and completing the well and the allocation of the cost thereof, as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a 200% charge for the risk involved in drilling and completing the well. The unit is located approximately 5 miles northwest of Lake Arthur, New Mexico.