



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON
Governor
Joanna Prukop
Cabinet Secretary

Mark E. Fesmire, P.E.
Director
Oil Conservation Division

October 22, 2007

Ms. Kristina Martinez
Holland & Hart LLP
P.O. Box 2208
Santa Fe, NM 87504

Administrative Order NSL-5702

Re: Alsab Well No. 1525-21 Federal #1H
API No. 30-005-63938
Unit D, Section 21-15S-25E.
Chaves County

Dear Ms Martinez:

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS07-26837118**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico, on behalf of Parallel Petroleum Corporation (Parallel), on September 24, 2007, and

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

Parallel has requested to complete the above-referenced well as a horizontal well in the Wolfcamp formation, at a location that will be unorthodox under Division Rule 111. The proposed surface location, point of penetration and terminus of the well are as follows:

Surface Location: 760 feet from the North line and 208 feet from the West line (Unit D) of Section 21, Township 15S, Range 25E, NMPM Chaves County, New Mexico

Point of Penetration: 760 feet from the North line and 660 feet from the West line (Unit D) of said Section 21.

Terminus 753 feet from the North line and 643 feet from the East line (Unit A) of said Section 21.

The N/2 of Section 21 will be dedicated to the proposed well to form a standard 320-acre wildcat Wolfcamp gas spacing unit and project area. This pool is governed by statewide Rule 104.C(2), which provides for 320-acre units, with wells located at least 660 feet from a unit outer boundary. This location is unorthodox because a portion of the producing interval will be less than 660 feet from the eastern boundary of the project area, and therefore outside the producing area.

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

It is our understanding that you are seeking this location because the driller inadvertently continued the horizontal shaft beyond the intended terminus.

It is also understood that you have given due notice of this application to all operators or owners who are "affected persons," as defined in Rule 1210.A(2), in all adjoining units towards which the proposed location encroaches.

Pursuant to the authority conferred by Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

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
United States Bureau of Land Management - Roswell