

ABOVE THIS LINE FOR DIVISION USE ONLY

NEW MEXICO OIL CONSERVATION DIVISION  
- Engineering Bureau -  
1220 South St. Francis Drive, Santa Fe, NM 87505



Parallel Petroleum  
Also 1525-21 Fed #1  
5702

**ADMINISTRATIVE APPLICATION CHECKLIST**

THIS CHECKLIST IS MANDATORY FOR ALL ADMINISTRATIVE APPLICATIONS FOR EXCEPTIONS TO DIVISION RULES AND REGULATIONS WHICH REQUIRE PROCESSING AT THE DIVISION LEVEL IN SANTA FE

**Application Acronyms:**

- [NSL-Non-Standard Location] [NSP-Non-Standard Proration Unit] [SD-Simultaneous Dedication]
- [DHC-Downhole Commingling] [CTB-Lease Commingling] [PLC-Pool/Lease Commingling]
- [PC-Pool Commingling] [OLS - Off-Lease Storage] [OLM-Off-Lease Measurement]
- [WFX-Waterflood Expansion] [PMX-Pressure Maintenance Expansion]
- [SWD-Salt Water Disposal] [IPI-Injection Pressure Increase]
- [EOR-Qualified Enhanced Oil Recovery Certification] [PPR-Positive Production Response]

- [1] **TYPE OF APPLICATION** - Check Those Which Apply for [A]
- [A] Location - Spacing Unit - Simultaneous Dedication  
 NSL  NSP  SD
- Check One Only for [B] or [C]
- [B] Commingling - Storage - Measurement  
 DHC  CTB  PLC  PC  OLS  OLM
- [C] Injection - Disposal - Pressure Increase - Enhanced Oil Recovery  
 WFX  PMX  SWD  IPI  EOR  PPR
- [D] Other: Specify \_\_\_\_\_

- [2] **NOTIFICATION REQUIRED TO:** - Check Those Which Apply, or Does Not Apply
- [A]  Working, Royalty or Overriding Royalty Interest Owners
- [B]  Offset Operators, Leaseholders or Surface Owner
- [C]  Application is One Which Requires Published Legal Notice
- [D]  Notification and/or Concurrent Approval by BLM or SLO  
U.S. Bureau of Land Management - Commissioner of Public Lands, State Land Office
- [E]  For all of the above, Proof of Notification or Publication is Attached, and/or,
- [F]  Waivers are Attached

[3] **SUBMIT ACCURATE AND COMPLETE INFORMATION REQUIRED TO PROCESS THE TYPE OF APPLICATION INDICATED ABOVE.**

[4] **CERTIFICATION:** I hereby certify that the information submitted with this application for administrative approval is **accurate** and **complete** to the best of my knowledge. I also understand that **no action** will be taken on this application until the required information and notifications are submitted to the Division.

Note: Statement must be completed by an individual with managerial and/or supervisory capacity.

Kristina Martinez \_\_\_\_\_ 9/24/07  
 Print or Type Name Signature Title Date  
 \_\_\_\_\_  
 e-mail Address kemartinez@hollandhart.com

2007 SEP 24 PM 2 21  
 RECEIVED

September 24, 2007

**VIA HAND DELIVERY**

Mr. Mark Fesmire, Director  
Oil Conservation Division  
New Mexico Department of Energy,  
Minerals and Natural Resources  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

**Re: Application of Parallel Petroleum Corporation, for permission to complete its Alsab 1525-21 Federal No. 1 well at an unorthodox location in the Wolfcamp formation, 753 feet from the North line and 643 feet from the East line of Section 21, Township 15 South, Range 25 East, N.M.P.M., Chaves County, New Mexico.**

Dear Mr. Fesmire:

Parallel Petroleum Corporation ("Parallel") hereby seeks administrative approval pursuant to the provisions of Division Rule 104 F (2)-(4) of an unorthodox well location for its Alsab 1525-21 Federal No. 1 well which will be drilled as a Wildcat well to test the Wolfcamp formation. The horizontal wellbore was planned and permitted to be at a standard location at approximately 9056 feet of measured depth, at a location 750 feet from the North line and 670 feet from the East line of Section 21, Township 15 South, Range 25 East, N.M.P.M., Chaves County, New Mexico. Unfortunately, the directional driller drilled to the planned measured depth without considering the coordinates of the well at that point. Therefore, at total depth the well is non-standard to the east by 17 feet. That puts the location at total depth at 753 feet from the North line and 643 feet from the East line of Section 21.

This proposed location in the Wolfcamp formation is unorthodox because it is governed by state wide rules which provide for wells on 320-acre spacing units to be located no closer than 660 feet to the outer boundary of quarter section on which the well is located. The proposed unorthodox well location is approximately 643 feet from the eastern outer boundary of the quarter section. However, Parallel will only perforate inside the standard producing area for the well. Additionally, Parallel has contacted all offset operators and effected parties are being noticed. Signed waivers are forthcoming.



The non-standard location is required to complete the well and prevent possible damage to the well. Parallel incorporates by reference a letter of explanation previously sent to Examiner Richard Ezeanyim, attached as **Exhibit A**.

**Exhibit B** is a landmap depicting the well and spacing unit.

**Exhibit C** is the C-102 originally filed for the well before it was drilled. It shows the surveyed location of the well.

**Exhibit D** is a list of affected parties. As required by Rule 1210 (A) (2), a copy of this application (with attachments) has been sent to those parties listed on Exhibit D and they have been advised that if they have an objection to this application it must be filed in writing with the Division's Santa Fe office within twenty days from the date this notice was sent.

Also enclosed is a proposed administrative order prepared by Parallel.

Your attention to this application is appreciated.

Sincerely,

A handwritten signature in black ink, appearing to read 'K. Martinez'.

Kristina Martinez  
Attorney for Parallel

Enclosures

cc: Oil Conservation Division, District 2 – Artesia



September 24, 2007

**CERTIFIED MAIL**  
**RETURN RECEIPT REQUESTED**

[offset address]

**Re: Application of Parallel Petroleum Corporation, for permission to complete its Alsab 1525-21 Federal No. 1 well at an unorthodox location in the Wolfcamp formation, 753 feet from the North line and 643 feet from the East line of Section 21, Township 15 South, Range 25 East, N.M.P.M., Chaves County, New Mexico.**

Ladies and Gentlemen:

Enclosed is a copy of the above-referenced application which was filed with the New Mexico Oil Conservation Division on this date by Parallel Petroleum Corporation ("Parallel") for administrative approval pursuant to the provisions of Division Rule 104 F (2)-(4) of an unorthodox well location in the Wolfcamp Formation for its Alsab 1525-21 Federal No. 1 well.

As an owner of an interest that may be affected by the proposed well, you may object to this application. Objections must be filed in writing within twenty days from this date at the Division's Santa Fe office that is located at 1220 South Saint Francis Drive, Santa Fe, New Mexico. 87505. If no objection is received within this twenty-day period, this application for an unorthodox well location may be approved.

Very truly yours,

Kristina Martinez  
Attorney for Parallel

Enclosures

Parallel Petroleum Corporation

Attention: Dennis J. Hopkins. CPL

*Administrative Order NSL-\_\_\_\_\_*

Dear Mr. Hopkins:

Reference is made to your application dated September 24, 2007 for administrative approval pursuant to the provisions of Division Rule 104 F (2)-(4) of an unorthodox well location for Parallel's Alsab 1525-21 Federal No. 1 well which will be drilled as a Wildcat well to test the Wolfcamp formation. The horizontal wellbore was planned and permitted to be at a standard location at approximately 9056 feet of measured depth, at a location 750 feet from the North line and 670 feet from the East line of Section 21, Township 15 South, Range 25 East, N.M.P.M., Chaves County, New Mexico. However, the directional driller got offline and the well is non-standard to the east by 17 feet. That puts the location at total depth at 753 feet from the North line and 643 feet from the East line of Section 21.

A 320-acre spacing and proration unit in the Wolfcamp formation comprising the E/2 NE/4 of Section 21 was previously dedicated to said well before it was drilled.

This application has been duly filed under the provisions of Rule 104.F of the General Rules of the Oil Conservation Division revised by Division Order No. R-11231, issued by the New Mexico Oil Conservation Commission in Case No. 12119 on August 12, 1999.

By authority granted me under the provisions of Rule 104.F(2), the above-described unorthodox well location within this 320-acre unit in the Wolfcamp formation is hereby approved.

Sincerely,

Mark E. Fesmire, P.E.  
Director

cc: Oil Conservation Division, District 2 – Artesia

# PARALLEL

Petroleum Corporation

1004 N. Big Spring Street, Suite 400 • Midland, TX 79701 • Ph: 915-684-3727 • Fax: 915-684-3905

DEANE DURHAM  
Operations Engineer

September 5, 2007

Mr. Richard Ezeanyim  
New Mexico Oil Conservation Division  
1220 S. St. Francis  
Santa Fe, NM 87505

Re: Alsab 1525-21 Federal #1  
Parallel Petroleum Corporation  
Sec. 21, T-15-S, R-25-E  
Chaves County, New Mexico

Dear Mr. Ezeanyim:

The referenced well has reached total depth in the horizontal section. The well path in the horizontal was planned and permitted to reach a standard (orthodox) location at approximately 9056' measured depth and 670' FEL and 760' FNL of Section 21. Unfortunately the directional driller drilled to the planned measured depth of 9056' without considering the coordinates of the well at that point. Therefore at total depth the well is non-standard to the east by 17'. That puts the location at total depth at 753' FNL and 643' FEL Section 21. We will intentionally perforate the entire horizontal interval inside the standard producing area. We request a non-standard allowance for this well. All offset operators and effected parties are being noticed and all signed waivers are forthcoming.

Should you need additional information regarding this issue, please contact me.

Sincerely,

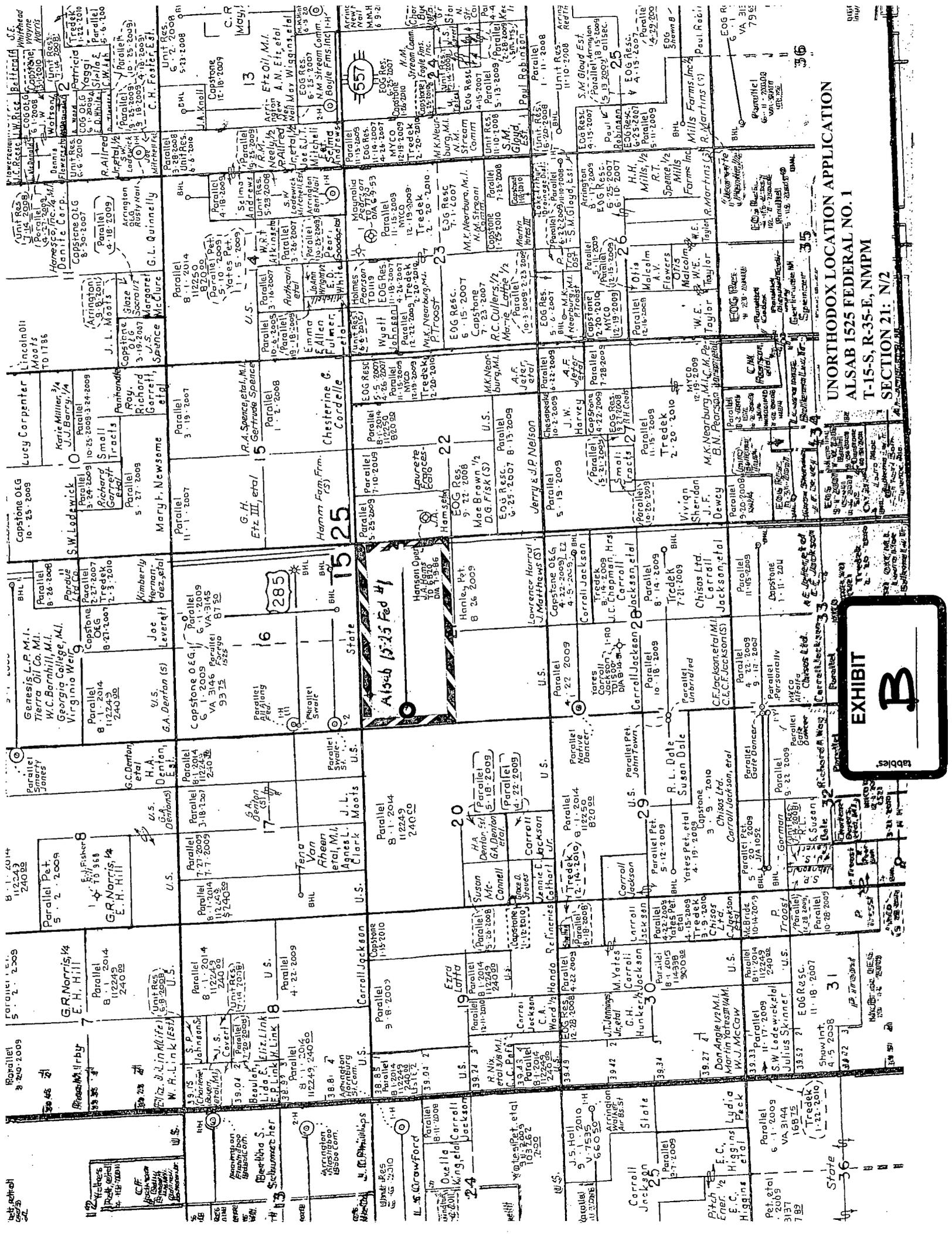


Deane Durham  
New Mexico Operations Engineer

Attachments: C-102  
Pathfinder – MWD survey  
Waivers from all offset operators

CC: Bryan Arrant





UNORTHODOX LOCATION APPLICATION  
ALSAB 1525 FEDERAL NO. 1  
T-15-S, R-35-E, NMMP  
SECTION 21: N/2



Alsab 1525 Fed #1

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DISTRICT I  
1625 N. French Dr., Hobbs, NM 88240

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

DISTRICT III  
1000 Rio Brazos 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 30-005-63938		Pool Code 977489	Pool Name Wildcat Wolfcamp GAS
Property Code	Property Name ALSAB 1525-21 FEDERAL		Well Number 1
OGRID No.	Operator Name PARALLEL PETROLEUM CORPORATION		Elevation 3494'

Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
D	21	15 S	25 E		760	NORTH	208'	WEST	CHAVES

Bottom Hole Location If Different From Surface

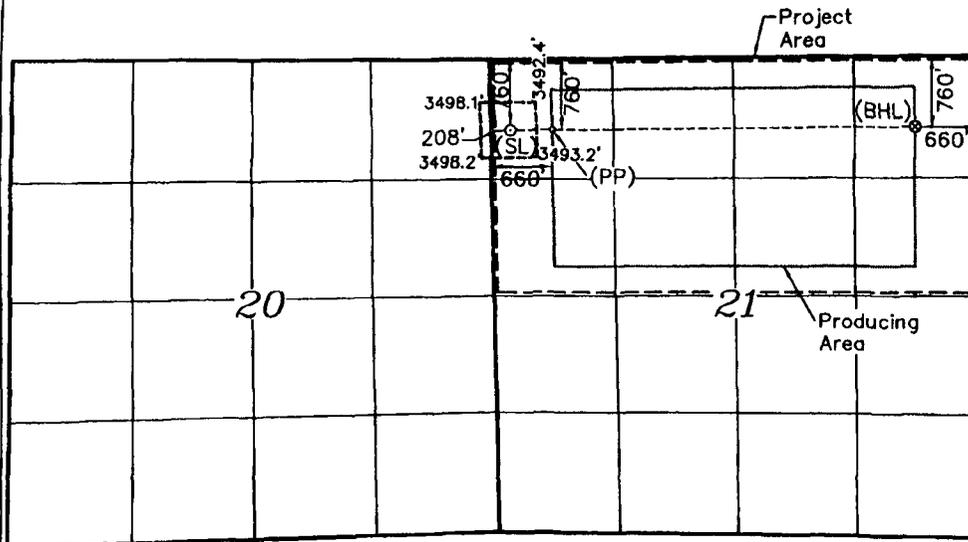
UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	21	15 S	25 E		760	NORTH	660	EAST	CHAVES
Dedicated Acres	Joint or Infill	Consolidation Code		Order No.					
320									

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

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.

(SL)



OPERATOR CERTIFICATION

I hereby certify the the information contained herein is true and complete to the best of my knowledge and belief, and that this organization either owns a working interest or valid 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 voluntary pooling agreement or a compulsory pooling order heretofore entered by the division.

*Deane Durham* 3-19-07  
Signature Date  
*Deane Durham*  
Printed Name

SURVEYOR CERTIFICATION

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.

October 12, 2006

Date of Survey  
Signature & Seal of Professional Surveyor

*[Signature]*  
W.O. Num. 2008-1005  
Certificate No. MACON McDONALD 12185

Coordinate Table	
Description	Plane Coordinate
Alsab 1525-21 Federal #1	X = 462,590.3
Surface Location	Y = 729,631.3
Alsab 1525-21 Federal #1	X = 463,042.1
Penetration Point	Y = 729,636.8
Alsab 1525-21 Federal #1	X = 467,012.2
Bottom Hole Location	Y = 729,683.3



**EXHIBIT D**

**APPLICATION OF PARALLEL PETROLEUM CORPORATION  
ALSAB 1525-21 FEDERAL NO. 1 WELL  
N/2 OF SECTION 21, TOWNSHIP 15 SOUTH, RANGE 25 EAST, N.M.P.M.  
CHAVES COUNTY, NEW MEXICO.**

**Offsetting Owners**

**N/2 of Section 22-15S-25E**

Parallel Petroleum Corporation  
1004 N. Big Spring, Suite 400  
Midland, Texas 79701-3383

Capstone Oil & Gas Company, LLP  
P.O. Box 10187  
Midland, Texas 79702

CMW Interests, Inc.  
24 Smith Road, Suite 405  
Midland, Texas 79705

Elger Exploration, Inc.  
P.O. Box 2623  
Midland, Texas 79702-2623

A. Gayle Hudgens  
P.O. Box 25561  
Dallas, Texas 75225

Sacramento Partners Limited Partnership  
105 S. Fourth Street  
Artesia, New Mexico 88210

Spiral, Inc.  
P.O. Box 1933  
Roswell, New Mexico 88202-1933

Sharbro Oil Ltd. Co.  
P.O. Box 829  
Artesia, New Mexico 88211-0829

Southwestern Resources, Inc.  
1111 W. Country Club Road  
Roswell, New Mexico 88201

Lobos Energy Partners, LLC  
3817 NW Expressway, Suite 950  
Oklahoma City, Oklahoma 73112

Estate of W.E. Flint, deceased  
Elaine B. Fling, Indiv. & Ind. Exec.  
2125 Thomas Drive  
Las Cruces, New Mexico 88001

Margaret Louise Doyle &  
John Steven Doyle, JTWROS  
3747 0 66 Campana South  
Oceanside, California 92054

John A. Holmstrom  
John A. Holmstrom and Evelyn A. Holmstrom 1992 Trust  
6200 Gale Drive  
Boulder, Colorado 80303

N.R.L.L. Inc.  
Nine Goodyear  
Irvine, California 92718

Barbara Lee Waltrip  
5201 Mustang Trail  
Plano, Texas 75093

Michelle McDermott  
3641 SE Haig  
Portland, Oregon 97202

Tedek Inc.  
1030 Andrews Highway, Suite 213  
Midland, Texas 79701

Myco Inc.  
105 S. Fourth Street  
Artesia, New Mexico 88210

Estate of Martin Yates III  
105 S. Fourth Street  
Artesia, New Mexico 88210