

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Brukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

June 14, 2007

Parallel Petroleum Corporation
c/o Ms. Ocean Munds-Dry
Holland & Hart, LLP
P.O. Box 2208
Santa Fe, NM 87504

JUN 27 2007

OCD-ARTESIA

Administrative Order NSL-5644

Re: All Along 1525-17 Federal Well No. 1
API No. 30-005-63925
L-16-15S-25E
Chaves County

Dear Ms Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pCLP07-13728536**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on May 15, 2007, on behalf of Parallel Petroleum Corporation (Parallel), and

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

Parallel has requested approval to produce its All Along 1525-17 Federal Com. Well No. 1 (API No. 30-005-63925) at an unorthodox gas well location in the Wolfcamp formation. This well is a horizontal well, which was drilled from an unorthodox surface location 1880 feet from the South line and 190 feet from the West line (Unit L) of Section 16, Township 15 South, Range 25 East, N.M.P.M. in Chaves County, to an unorthodox point of penetration in the Wolfcamp formation, 1854 feet from the South line and 598 feet from the East line (Unit I) of Section 17, and thence to a terminus, or bottom-hole location, 1880 feet from the South line and 660 feet from the West line (Unit L) of Section 17.

The S/2 of Section 17 will be dedicated to this well in order to form a standard 320-acre wildcat Wolfcamp (97489) gas spacing unit. This location is governed by statewide Rule 104.C(2), which provides for 320-acres units, with wells located at least 660 feet from a unit outer boundary.

It is our understanding that, although Parallel does not anticipate perforating the intended production interval closer than 660 feet from the unit boundary, the point of penetration of the Wolfcamp formation is less than 660 feet from the eastern unit boundary. Hence, the location of this well is considered unorthodox under Rule 111.

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

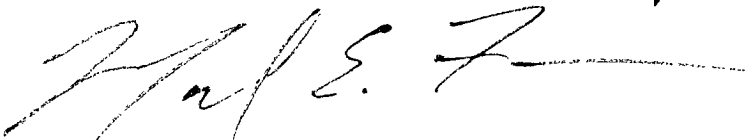
It is our understanding that Parallel is seeking this location because of an unintended diversion of this well to a point of penetration outside the producing area.

It is also understood that all working interest owners in the unit to the east, towards which this location encroaches, have consented, as evidenced by copies of consents attached to your application.

Pursuant to the authority granted me under the provisions of 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', with a long horizontal flourish extending to the right.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
United States Bureau of Land Management - Carlsbad