



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

April 23, 2007

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

Administrative Order NSL-5606

**Re: Bold Venture Well No. 1
API No. 30-005-63783
B-27-14S-26E
Chaves County**

Dear Ms Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS07-10630744**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on April 13, 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 Bold Venture Well No. 1 (API No. 30-005-63783) at an unorthodox bottom-hole ("terminus") well location in the Wolfcamp formation, 646 feet from the South line and 1735 feet from the East line (Unit O) of Section 27, Township 14 South, Range 26 East, N.M.P.M., in Chaves County, New Mexico. This is a horizontal well drilled from an unorthodox surface location. However, we understand that the point of penetration of the Wolfcamp formation is at a standard location.

The E/2 of Section 27 will be dedicated to this well in order to form a standard 320-acre gas spacing unit in the undesignated Lake Arthur-Wolfcamp Gas Pool (97574). This location 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, and by statewide Rule 111.B(3), which requires that all portions of the producing interval of a directional well be within the producing area, defined as that portion of the project area within applicable setbacks from the outer boundaries of the producing area. The terminus of this well in the Wolfcamp is approximately 646 feet from the southern unit boundary.

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 the horizontal shaft of this well to a point outside the producing area.

It is also understood that all working interest owners in the unit to the south, 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', written in a cursive style.

Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia