

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 Corp.*  
*Personally 1525-33#1,2*  
*200821*

**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.

*[Signature]*  
 \_\_\_\_\_  
 Print or Type Name

Signature

**Kellahin & Kellahin**  
**Attorneys At Law**  
**706 Gonzales Rd.**  
**Santa Fe, NM 87501**

Title

*6/9/08*  
 \_\_\_\_\_  
 Date

RECEIVED  
 2008 JUN 9 AM 11 27

**KELLAHIN & KELLAHIN**  
**Attorney at Law**

**W. THOMAS KELLAHIN**  
**706 GONZALES ROAD**  
**SANTA FE, NEW MEXICO 87501**

**TELEPHONE 505-982-4285**  
**FACSIMILE 505-982-2047**  
**TKELLAHIN@COMCAST.NET**

June 3, 2008

**HAND DELIVERED**

Mr. Mark Fesmire, P.E., Director  
Oil Conservation Division  
1220 South Saint Francis Drive  
Santa Fe, New Mexico 87505

Re: Administrative Application of Parallel Petroleum Corporation  
for authorization to simultaneously dedicated ("SD")  
a standard gas spacing and proration unit in the  
Wolfcamp formation to two horizontal wellbores,  
including an exception to the well density requirement  
of Division Rule 104.D, Chaves County, New Mexico  
N/2 Section 33, T15S, R25E  
Personally 1525-33 Well No. 1 (API # 30-005-63852)  
Personally 1525-33 Well No. 2 (API # pending)

**RECEIVED**  
**2008 JUN 9 AM 11 27**

Dear Mr. Fesmire:

On behalf of Parallel Petroleum Corporation ("Parallel"), please find enclosed our referenced administrative application. Parallel is the operator of the referenced standard 320-acre gas spacing unit that contains the Personally 1525-33 Well No. 1 which has been horizontally drilled and produces from the Wolfcamp formation. The Division approved request for an allowable shows that this well was placed in the Cottonwood-Wolfcamp Gas Pool (Pool Code 75250)

Now, Parallel desires to drill a second well in the same gas spacing unit, the Well No. 2. and therefore seeks approval to simultaneously dedicate a standard gas spacing and proration unit in the Wolfcamp formation to two horizontal wellbores including an exemption to the well density requirements of Rule 104.D. Applicant seeks authorization to dedicate a standard 320-acre spacing and proration unit comprised of the N/2 of Section 33, Township 15 South, Range 25 East, Chaves County, New Mexico in the Wolfcamp formation to the following two wells:

(a) The Personally 1525-33 Well No. 1 (API #30-005-63852) that was drilled at an unorthodox surface location 760 feet FNL and 234 feet FWL (Unit D) and then to penetrate the Wolfcamp formation within the standard producing area window at a standard subsurface location approximately 780 feet FNL and 660 feet FEL (Unit D) and then drilled horizontally in an easterly direction staying within the producing area not less than 660 feet from each of the end and side boundaries of this spacing unit and ending at a standard bottom hole location 775 feet FNL and 671 feet FWL—**See C-102 attached as Exhibit A**

(b) The Personally 1525-33 Well No. 2 (API #30-005-pending) that is to be drilled at an unorthodox surface location 1880 feet FNL and 166 feet FEL (Unit H) of adjoining Section 32 and then to penetrate the Wolfcamp formation within the standard producing area window at a standard subsurface location approximately 2002 feet FNL and 660 feet FWL (Unit E) of Section 33 and then drilled horizontally in an easterly direction staying within the producing area not less than 660 feet from each of the end and side boundaries of this spacing unit and ending at a standard bottom hole location 1989 feet FNL and 660 feet FEL (Unit H). Total Measured Depth of 9045 ft and True Vertical Depth of 4750 ft—**see C-102 and Horizontal Drilling plots attached as Exhibit B and Exhibit C**

Division Rule 111 provides for the rules and regulations of the drilling of directional wells and by definition includes “horizontal” wells but apparently does not limited the number of horizontal wells that can be drilled within a Project Area. Instead Rule 111 refers to a project area “that is enclosed by the outer boundaries of a spacing unit or a combination of complete spacing units,” and incorporates by reference Rule 104 to define a “spacing unit”

Division Rule 104.C (2) allows two wells in a 320-acre spacing unit with each well located in a different 160-tract of the 320-acre spacing unit. This rule appears not to specifically address horizontal wells.

### **NOTICE TO AFFECTED PARTIES**

Division Rule 104.D (3) States: “number of wells per spacing unit. Exceptions to the provisions of statewide rules or special pool orders concerning the number of wells allowed per spacing unit may be permitted by the Director only after notice and opportunity for hearing. Notice shall be given to those “affectedpersons” defined by Rule 1207.A (2).”

The notice for this type of case, “affected parties” are: (a) all each operator of an adjoining and offsetting 320-acre drilled or undrilled spacing units (direct or diagonal offsets) (b) if undrilled, then to the working interest owners and unleased mineral owners, (c) if applicant is also the offsetting operator, then to its working

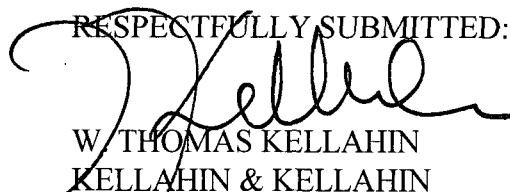
interest owners, (d) if applicant is the offsetting operator and the only working interest owners, then to its lessors, (e) if the offsetting section has no spacing unit, then the applicant and presume the orientation closest to the subject spacing unit.

Parallel will provide written notice of hearing to all "affected parties, including those listed. See locator map and notice list attached as Exhibit "D" and "E"

### TECHNICAL EVIDENCE

- (1) Parallel bases its application upon the technical data it presented to the Division in Case 13986 that resulted in Division Order R-12851.
- (2) Parallel believes that because of the low permeability of the Wolfcamp formation in this area:
  - a. the actual area being depleted by the first horizontal well is generally limited to the north half of this spacing unit, being the N/2N/2 of Section 33, and is not effectively recovery either the gas underlying the S/2N/2 of Section 33 or adversely affecting the correlative rights of the offsetting interest owners.
  - b. A second horizontal well is needed by the south half of this spacing unit, being the S/2N/2 of Section 33, in order to provide a opportunity to recovery gas that might otherwise not be recovered under the N/2 of Section 33 and in doing so will not adversely affect the correlative rights of the offsetting interest owners.
- (1) Approval of this application will not impair the correlative rights of any other interest owner in the area and will afford Parallel the opportunity to utilize two horizontal wells to produce the Wolfcamp formation gas reserves from this GPU.
- (2) Approval of this application will be in the best interests of conservation, the prevention of waste and the protection of correlative rights.

RESPECTFULLY SUBMITTED:



W. THOMAS KELLAHIN  
KELLAHIN & KELLAHIN  
706 Gonzales Road  
Santa Fe, New Mexico 87501  
(505) 982-4285

## State of New Mexico

Energy, Minerals &amp; 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	Pool Code 96086	Pool Name Wildcat; Welfcamp
Property Code	Property Name PERSONALLY 1525-33	Well Number 1
OGRID No.	Operator Name PARALLEL PETROLEUM CORPORATION	Elevation 3476'

## Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	32	15 S	25 E		760	NORTH	147	EAST	CHAVES

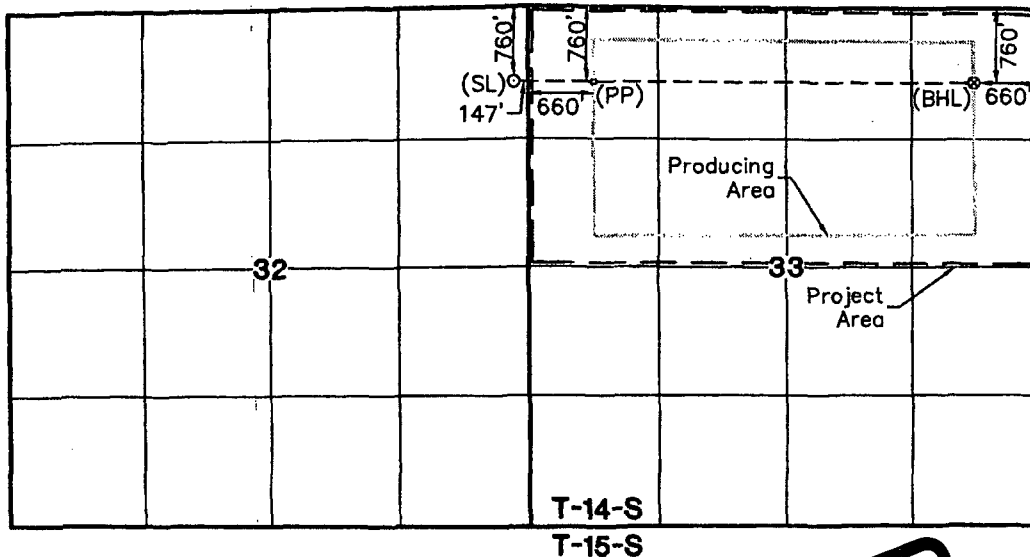
## Bottom Hole Location If Different From Surface

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
A	33	15 S	25 E		760	NORTH	660	EAST	CHAVES

Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No.
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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

Coordinate Table	
Description	Plane Coordinate
Personally 1525-33 #1	X = 462,253.6
Surface Location	Y = 719,111.6
Personally 1525-33 #1	X = 463,060.9
Penetration Point	Y = 719,108.6
Personally 1525-33 #1	X = 467,022.5
Bottom Hole Location	Y = 719,087.9



## 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.



## OPERATOR CERTIFICATION

I hereby certify 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 unleased 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* 9-1-06  
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.

August 21, 2006

Date of Survey  
Signature & Seal of Professional Surveyor

*W.O. Num. 2006-0876*  
Certificate No. MACON McDONALD 12185

**DISTRICT II**  
1301 W. Grand Avenue, Artesia, NM 86210

**DISTRICT III**  
1000 Rio Brazos Rd., Artes, NM 87410

DISTRICT IV  
1220 S. St. Francis Dr., Santa Fe, NM 87505

☐ AMENDED REPORT

## WELL LOCATION AND ACREAGE DEDICATION PLAT

API Number 30-005-64024		Pool Code	Pool Name
Property Code	Property Name PERSONALLY 1525-33		Well Number 2
OGRID No.	Operator Name PARALLEL PETROLEUM CORPORATION		Elevation 3476'

### Surface Location

UL or lot No.	Section	Township	Range	Lot Idn	Feet from the	North/South line	Feet from the	East/West line	County
H	32	15 S	25 E		1880	NORTH	166	EAST	CHAVES

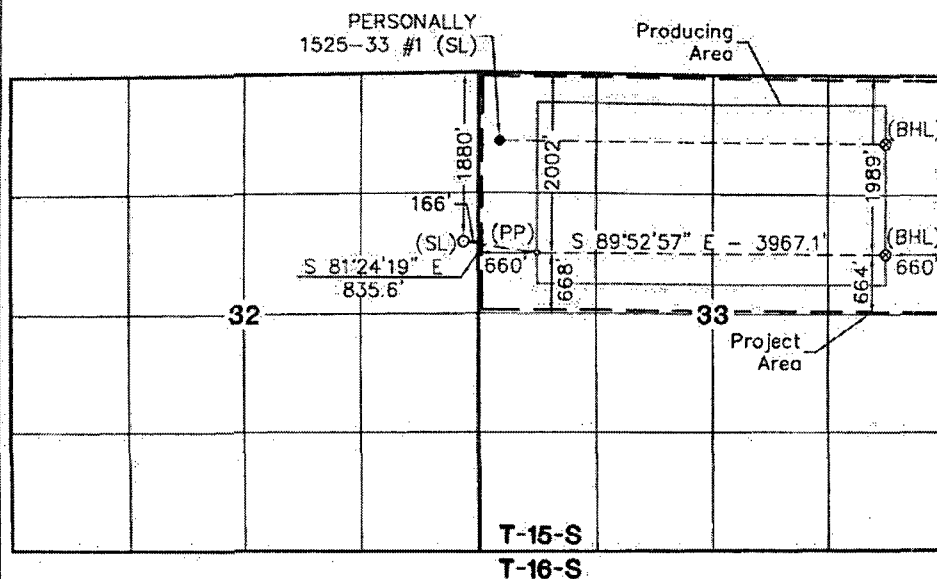
## Bottom Hole Location If Different From Surface

UL or lot No. H	Section 33	Township 15 S	Range 25 E	Lot Idn	Feet from the 1989	North/South line NORTH	Feet from the 660	East/West line EAST	County CHAVES
Dedicated Acres 320	Joint or Infill	Consolidation Code	Order No.						

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.



Surface Location  
Plane Coordinate  
X = 462,238.2  
Y = 717,991.7  
Geodetic Coordinate  
Lat. 32°58'25.57" N  
Long. 104°27'23.28" W  
(NAD '27)

Penetration Point  
Plane Coordinate  
X = 463,064.2  
Y = 717,866.9  
Geodetic Coordinate  
Lat. 32°58'24.34" N  
Long. 104°27'13.58" W  
(NAD '27)

Bottom Hole Location  
Plane Coordinate  
X = 467,030.3  
Y = 717,858.8  
Geodetic Coordinate  
Lat. 32°58'24.31" N  
Long. 104°26'27.02" W  
(NAD '27)

# 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 undivided 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 mineral or working interest, or to a voluntary pooling agreement or a compulsory pooling order heretofore entered by the district.

Signature: Deane Durham Date: 5-9-08

Printed Name: Deane Durham

## SURVEYOR CER

I hereby certify that the use of this plat was plotted from actual surveys made by me and my supervision and that the same is correct to the best of my belief.

May 9, 2008

Date of Survey \_\_\_\_\_ LVA \_\_\_\_\_  
Signature & Seal of Professional Surveyor \_\_\_\_\_

W.O. Num. 2008-0533

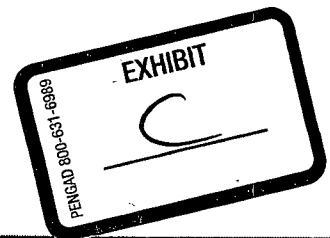
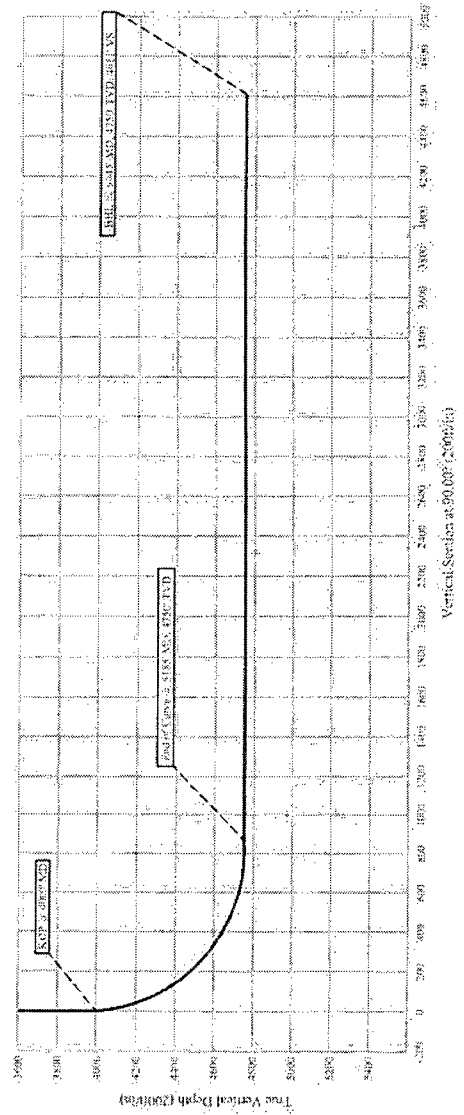
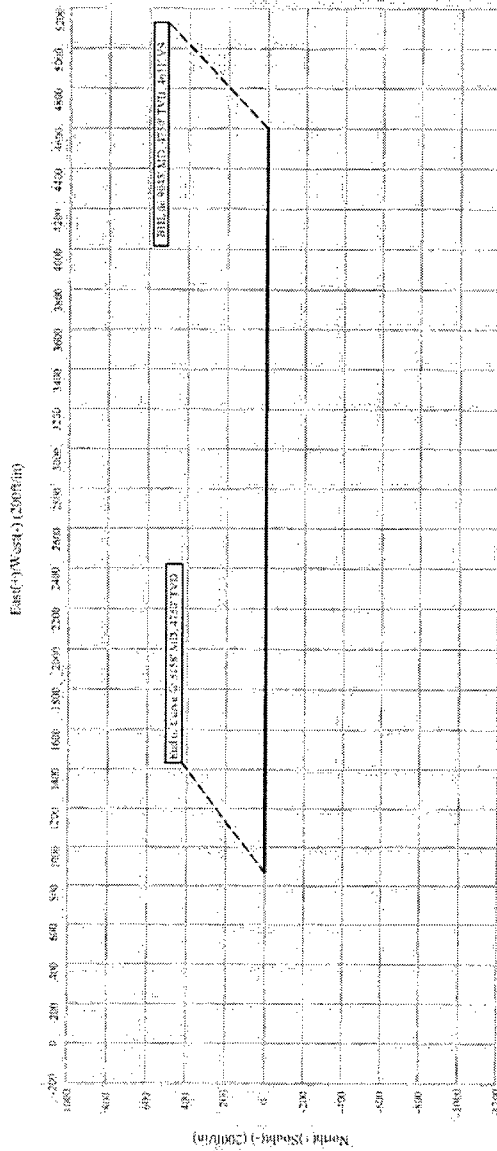
Certificate No. MACON McDONALD 12185

# Parallel Petroleum Corp.

Personally 1525-33 #2  
N/2 Sec. 33, T-15-S, R-25-E  
Chaves County, New Mexico

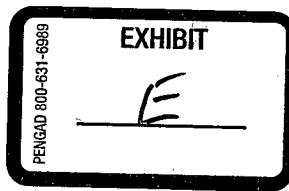
## COMPANY DETAILS

Parallel Petroleum Corp.  
1004 N. Big Spring, Ste 400  
Midland, Texas 79701









Application of Parallel Petroleum Corporation Simultaneous Dedication  
of North-Half (N/2) of Section 33, Township 15 South, Range 25 East,  
N.M.P.M., Chaves County, New Mexico

Myco Industries, Inc.  
432 W. Main  
P. O. Box 840  
Artesia, New Mexico 88211-0840

Capstone Oil & Gas Company, L.P.  
P. O. Box 10187  
Midland, TX 79702

Elger Exploration, Inc.  
P. O. Box 2623  
Midland, Texas 7902-2623

CMW Interests, Inc.  
24 Smith Road, Suite 405  
Midland, Texas 79705-4427

Yates Petroleum Corporation  
105 S. Fourth Street  
Artesia, NM 88210

Yates Drilling Company  
105 S. Fourth Street  
Artesia, NM 88210

ABO Petroleum Corporation  
105 S. Fourth Street  
Artesia, NM 88210

Myco Industries, Inc.  
105 S. Fourth Street  
Artesia, NM 88210

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

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

Spiral, Inc.  
P. O. Box 1933  
Roswell, NM 88202

Sharbo Oil Ltd., Co.  
105 S. Fourth Street  
Artesia, NM 88210

**KELLAHIN & KELLAHIN**  
**Attorney at Law**

**W. THOMAS KELLAHIN**  
**706 GONZALES ROAD**  
**SANTA FE, NEW MEXICO 87501**

**TELEPHONE 505-982-4285**  
**FACSIMILE 505-982-2047**  
**TKELLAHIN@COMCAST.NET**

June 9, 2008

**CERTIFIED MAIL-RETURN RECEIPT REQUESTED**

**NOTICE OF THE FOLLOWING NEW MEXICO OIL CONSERVATION  
DIVISION ADMINISTRATIVE CASE:**

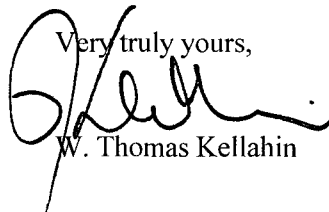
*OFFSETTING INTEREST OWNERS:*

**Re:** Administrative Application of Parallel Petroleum Corporation  
for authorization to simultaneously dedicate  
a standard gas spacing and proration unit in the  
Wolfcamp formation to two horizontal wellbores,  
including an exemption to the well density requirements  
of Rule 104.D, Chaves County, New Mexico  
Personally 1525-33 Wells Nos 1 and 2

Dear interest owner:

On behalf of Parallel Petroleum Corporation please find enclosed a copy of its referenced administrative application. This notice is based upon records that indicate that you have an interest in adjoining and offsetting tracts and are parties affected by this application

If you have no objection, then there is nothing for you to do. If you are willing to waiver objection, please sign this letter as indicated and return it to me. However, should you have any objection to the Division approving this application, then it will be necessary for you to file a written objection with the New Mexico Oil Conservation Division, 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505 within twenty (20) days of the date of this letter. Failure to file a timely objection will preclude you from objecting at a later date.

Very truly yours,  
  
W. Thomas Kellahin

**WAIVER OF OBJECTION:**

By: \_\_\_\_\_ with authority for  
and on behalf of \_\_\_\_\_  
Date: \_\_\_\_\_