

October 31, 2005

VIA HAND DELIVERY

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

Case 13600

2005 NOV 1 PM 5 03

**Re: Application of Parallel Petroleum Corporation for Compulsory Pooling,
Chaves County, New Mexico.**

Dear Mr. Fesmire:

Enclosed in triplicate is an application for Parallel Petroleum Corporation, as well as copies of the docket advertisement. Parallel requests that these matters be placed on the docket for the December 1, 2005 Examiner hearings.

Sincerely,

Ocean Munds-Dry
Ocean Munds-Dry

OMD

Enclosures

cc: Michael Gray
Parallel Petroleum Corp.

**STATE OF NEW MEXICO
DEPARTMENT OF ENERGY, MINERALS AND NATURAL RESOURCES
OIL CONSERVATION DIVISION**

**IN THE MATTER OF THE APPLICATION
OF PARALLEL PETROLEUM CORPORATION, FOR
COMPULSORY POOLING,
CHAVES COUNTY, NEW MEXICO.**

CASE NO. 13600

2005 NOV

PM 5 03

APPLICATION

Parallel Petroleum Corporation ("Parallel"), through its undersigned attorneys, hereby makes application for an order pooling all uncommitted mineral interests in all formations from the surface to the base of the Wolfcamp formation underlying the E/2 of Section 27, Township 14 South, Range 26 East, NMPM, Chaves County, New Mexico, to form a standard 320-acre gas spacing and proration unit for all formations spaced on 320 acres within this vertical extent; and the NE/4 to form a standard 160-acre spacing and proration unit for all formations spaced on 160 acres within this vertical extent.

In support of its application Parallel states:

1. Parallel is a working interest owner in the E/2 of Section 27 and has the right to drill thereon.
2. Parallel proposes to dedicate the E/2 of Section 27 to its proposed Bold Venture Well No.1, to be drilled as a horizontal test well from a surface location 400 feet from the North line and 1880 feet from the East line, penetrating the Wolfcamp objective 700 feet from the North line and 1880 feet from the East line and terminating

in the Wolfcamp formation 660 feet from the South line and 1880 feet from the East line.

3. Parallel has attempted but has been unable to reach agreement with certain interest owners in the E/2 of Section 27 identified on Exhibit A to this application.

4. Approval of this application will avoid the drilling of unnecessary wells, will prevent waste and will protect correlative rights.

5. In order to permit Parallel the opportunity to obtain its just and fair share of the oil and gas underlying the subject lands, all uncommitted mineral interests should be pooled, and Parallel should be designated operator of the proposed well.

WHEREFORE, Parallel requests that this application be set for hearing before an Examiner of the Oil Conservation Division on December 1, 2005, and that after notice and hearing as required by law the Division enter its order:

- A. pooling all uncommitted mineral interests in the subject spacing and proration unit;
- B. designating Parallel as operator of the unit and the proposed well;
- C. authorizing Parallel to recover its costs of drilling, equipping and completing this well;
- D. approving the actual operating charges and costs of supervision while drilling and after completion of this well, together with a provision adjusting the rates pursuant to the COPAS accounting procedures; and
- E. imposing the 200% risk penalty provided by Division Rule 19.15.1.35 against any working interest owner who does not voluntarily participate in this project.

Respectfully submitted,

HOLLAND & HART, LLP

By: Ocean Munds-Dry
William F. Carr
Ocean Munds-Dry
P.O. Box 2208
Santa Fe, NM 87504
Telephone: (505) 988-4421

ATTORNEYS FOR PARALLEL
PETROLEUM CORP.

EXHIBIT A

**IN THE MATTER OF THE APPLICATION
OF PARALLEL PETROLEUM CORP. FOR COMPULSORY
POOLING, CHAVES COUNTY, NEW MEXICO.
(Bold Venture Well No. 1)**

Devon Energy Production Company, L.P.
20 North Broadway
Suite 1500
Oklahoma City, OK 73102-8260

Sally A. Ellis
771 Crescent Drive
Boulder, CO 80306

Panhandle Royalty Company
5400 NW Grand Blvd. Suite 210
Oklahoma City, OK 73112

CASE 13600. In The Matter Of The Application Of Parallel Petroleum Corporation For Compulsory Pooling, Chaves County, New Mexico. Applicant in the above-styled cause seeks an order pooling all mineral interests from the surface to the base of the Wolfcamp formation in the E/2 of Section 27, Township 14 South, Range 26 East, NMPM, Chaves County, New Mexico, in order to form a standard 320-acre gas spacing and proration unit for all formations or pools spaced on 320 acres within this vertical extent; and the NE/4 to form a standard 160-acre spacing and proration unit for all formations or pools spaced on 160 acres within this vertical extent. This spacing and proration unit is to be dedicated to the Bold Venture Well No. 1 to be drilled as a horizontal test well from a surface location 400 feet from the North line and 1880 feet from the East line, penetrating the Wolfcamp objective 700 feet from the North line and 1880 feet from the East line and terminating in the Wolfcamp formation 660 feet from the South line and 1880 feet from the East line. Also to be considered will the cost of drilling and completion of said well and the allocation of the cost thereof, the actual operating costs and charges for supervision, designation of applicant as operator of the well and a charge for risk involved in drilling said well. Said area is located approximately 3 miles south of Hagerman, New Mexico.



October 31, 2005

CERTIFIED MAIL
RETURN RECEIPT REQUESTED

TO: AFFECTED INTEREST OWNERS

Re: Application of Parallel Petroleum Corporation for compulsory pooling, Chaves County, New Mexico.

Ladies and Gentlemen:

This letter is to advise you that Parallel Petroleum Corporation has filed the enclosed application with the New Mexico Oil Conservation Division seeking an order pooling all mineral interests from the surface to the base of the Wolfcamp formation in certain spacing and proration units in the E/2 of Section 27, Township 14 South, Range 26 East, N.M.P.M., Chaves County, New Mexico. Said pooled units are to be dedicated to Parallel's Bold Venture Well No. 1 to be drilled as a horizontal test well from a surface location 400 feet from the North line and 1880 feet from the East line, penetrating the Wolfcamp objective 700 feet from the North line and 1880 feet from the East line and terminating in the Wolfcamp formation 660 feet from the South line and 1880 feet from the East line. The well will be at a standard location in all formations.

This application has been set for hearing before a Division Examiner on December 1, 2005. The hearing will be held in Porter Hall in the Oil Conservation Division's Santa Fe Offices located at 1220 South Saint Francis Drive, Santa Fe, New Mexico 87505. You are not required to attend this hearing, but as an owner of an interest that may be affected by this application, you may appear and present testimony. Failure to appear at that time and become a party of record will preclude you from challenging the matter at a later date.

Parties appearing in cases are required by Division Rule 1208.B to file a Pre-hearing Statement at least four business days in advance of a scheduled hearing, but in no event later than 5:00 pm MST, on the Thursday preceding the scheduled hearing date. This statement must be filed at the Division's Santa Fe office at the above specified address and should include: the names of the parties and their attorneys; a concise statement of the case; the names of all witnesses the party will call to testify at the hearing; the approximate time the party will need to present its case; and identification of any procedural matters that are to be resolved prior to the hearing.

Very truly yours,

Ocean Munds-Dry
ATTORNEY FOR PARALLEL PETROLEUM
CORP.