

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

IN THE MATTER OF THE HEARING CALLED BY )  
THE OIL CONSERVATION DIVISION FOR THE )  
PURPOSE OF CONSIDERING: )  
 ) CASE NO. 13,895  
APPLICATION OF PARALLEL PETROLEUM )  
CORPORATION FOR APPROVAL OF A UNIT )  
AGREEMENT, EDDY COUNTY, NEW MEXICO )  
 )

ORIGINAL

REPORTER'S TRANSCRIPT OF PROCEEDINGS

EXAMINER HEARING

BEFORE: RICHARD EZEANYIM, Hearing Examiner

April 12th, 2007

Santa Fe, New Mexico

2007 APR 26 AM 9:39

This matter came on for hearing before the New Mexico Oil Conservation Division, RICHARD EZEANYIM, Hearing Examiner, on Thursday, April 12th, 2007, at the New Mexico Energy, Minerals and Natural Resources Department, 1220 South Saint Francis Drive, Room 102, Santa Fe, New Mexico, Steven T. Brenner, Certified Court Reporter No. 7 for the State of New Mexico.

\* \* \*

## I N D E X

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 Examiner Hearing  
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\* \* \*

## E X H I B I T S

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## A P P E A R A N C E S

## FOR THE DIVISION:

DAVID K. BROOKS, JR.  
Assistant General Counsel  
Energy, Minerals and Natural Resources Department  
1220 South St. Francis Drive  
Santa Fe, New Mexico 87505

## FOR THE APPLICANT:

HOLLAND & HART, L.L.P., and CAMPBELL & CARR  
110 N. Guadalupe, Suite 1  
P.O. Box 2208  
Santa Fe, New Mexico 87504-2208  
By: WILLIAM F. CARR

\* \* \*

1           WHEREUPON, the following proceedings were had at  
2 8:21 a.m.:

3           EXAMINER EZEANYIM: At this time I call Case  
4 Number 13,895. This is the Application of Parallel  
5 Petroleum Corporation for approval of a unit agreement,  
6 Eddy County, New Mexico.

7           Call for appearances.

8           MR. CARR: May it please the Examiner, William F.  
9 Carr with the Santa Fe office of Holland and Hart, L.L.P.  
10 We represent Parallel Petroleum Corporation in this matter,  
11 and we are going to present this Application by affidavit.

12           EXAMINER EZEANYIM: Any other appearances?

13           Okay, Mr. Carr, you may proceed.

14           MR. CARR: Mr. Examiner, before you is an  
15 affidavit of Jerry Elger. Mr. Elger is a geologist  
16 employed by Parallel who is the person responsible for the  
17 formation of the Paris Draw State Exploratory Unit. This  
18 is comprised of 6833.48 acres of state and federal land.  
19 One hundred percent of the working interest is committed to  
20 the unit. One hundred percent of the royalty interest has  
21 been committed to the unit.

22           And included in the materials is a preliminary  
23 approval letter from the Commissioner of Public Lands, as  
24 well as a letter from the BLM designating the area as an  
25 area logically suited for development under the unit plan.

1 Under the unit agreement which is attached,  
2 Parallel Petroleum Corporation is designated unit operator,  
3 and the initial test well is going to be drilled as a  
4 horizontal well in Section 21 of 16 South, 24 East. The  
5 estimated cost of the well is \$2.3 million. The well will  
6 be drilled to an approximate depth of 8800 feet.

7 Attached to the affidavit is Exhibit A, the unit  
8 agreement;

9 Exhibit B, a plat showing the unit boundary;

10 Exhibit C, which identifies the ownership in the  
11 unit, and 100 percent of the working interest, as I  
12 indicated, is committed;

13 An AFE is attached as Exhibit D;

14 And Exhibits E and F are the letters granting  
15 preliminary approval and designating the area from the  
16 Commissioner of Public Lands and the BLM.

17 There are also technical exhibits included. We  
18 have a gross isopach map of the target interval, which is  
19 the Wolfcamp. We have a structure map on the top of the  
20 Wolfcamp, and we have stratigraphic cross-sections A-A',  
21 B-B', which show that this is an appropriate area for  
22 development of horizontal wellbores. If the initial well  
23 is successful, additional wells in the unit area will be  
24 drilled.

25 The affidavit concludes with a statement that

1 approval of the unit and the drilling of the well will be  
 2 in the best interest of conservation, the prevention of  
 3 waste, and the protection of correlative rights.

4 We would request that Mr. Elger's affidavit and  
 5 all attachments be admitted into the record in this case.

6 EXAMINER EZEANYIM: All the exhibits and the --  
 7 will be admitted under evidence.

8 Do you have a -- I think you have four exhibits,  
 9 correct?

10 MR. CARR: Sir?

11 EXAMINER EZEANYIM: How many exhibits do you  
 12 have?

13 MR. CARR: We have -- Actually, they are  
 14 identified by letter. We have Exhibits A through J.

15 EXAMINER EZEANYIM: Okay, Exhibits A through J  
 16 will be admitted under evidence.

17 Do you have any questions?

18 MR. BROOKS: No questions.

19 EXAMINER EZEANYIM: At this point, Case Number  
 20 13,895 will be taken under advisement.

21 MR. CARR: Thank you, Mr. Examiner.

22 (Thereupon, these proceedings were concluded at  
 23 8:25 a.m.)

24 I do hereby certify that the foregoing is  
 25 \* \* \* a complete record of the proceedings in  
 the Examiner hearing of Case No. \_\_\_\_\_  
 heard by me on \_\_\_\_\_

CERTIFICATE OF REPORTER

STATE OF NEW MEXICO )  
 ) ss.  
COUNTY OF SANTA FE )

I, Steven T. Brenner, Certified Court Reporter and Notary Public, HEREBY CERTIFY that the foregoing transcript of proceedings before the Oil Conservation Division was reported by me; that I transcribed my notes; and that the foregoing is a true and accurate record of the proceedings.

I FURTHER CERTIFY that I am not a relative or employee of any of the parties or attorneys involved in this matter and that I have no personal interest in the final disposition of this matter.

WITNESS MY HAND AND SEAL April 13th, 2007.



STEVEN T. BRENNER  
CCR No. 7

My commission expires: October 16th, 2010