

RECEIVED

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

2008 APR 11 PM 1 53

IN THE MATTER OF THE HEARING CALLED
BY THE OIL CONSERVATION DIVISION FOR
THE PURPOSE OF CONSIDERING:

APPLICATION OF PARALLEL PETROLEUM
CORPORATION FOR COMPULSORY POOLING,
CHAVES COUNTY, NEW MEXICO.

Case No. 13,960 (Reopened)

VERIFIED STATEMENT OF DENNIS J. HOPKINS

Dennis J. Hopkins, C.P.L., being duly sworn upon his oath, deposes and states:

1. I am a landman for Parallel Petroleum Corporation, and have personal knowledge of the matters stated herein.

2. Pursuant to Division Rule 1210.A(1), the following information is submitted in support of the compulsory pooling application filed herein:

(a) No opposition is expected because the interest owner being pooled has been contacted regarding the proposed well, and various other wells drilled by applicant, and has simply failed to respond to well proposals.

(b) A plat outlining the spacing unit being pooled is attached hereto as Exhibit A. Applicant seeks an order pooling all mineral interests from the surface to the base of the Wolfcamp formation underlying the S/2 of Section 9, Township 15 South, Range 25 East, NMPM, to form a standard 320-acre gas spacing and proration unit for all formations developed on 320 acre spacing within that vertical extent, including the Undesignated Walnut Creek-Wolfcamp Gas Pool.

The unit is to be dedicated to the War Emblem 1525-9 Fed. Com. Well No. 1H, drilled at a surface location 1880 feet from the south line and 190 feet from the east line of Section 8, Township 15 South, Range 25 East, N.M.P.M., with a penetration point 1880 feet from the south line and 660 feet from the west line of Section 9 and a terminus 1880 feet from the south line and 660 feet from the east line of Section 9. The well was completed as a gas well.

(c) The party being pooled, its working interest in the well unit, and its last known address, are as follows:

New Mexico Department of Transportation
P.O. Box 1149
Santa Fe, New Mexico 87504

3.756875%

Oil Conservation Division
Case No. 1
Exhibit No. 1

A listing of all interest owners in the well unit is attached as Exhibit B.

(d) A copy of the proposal letter sent to the uncommitted working interest owner is attached hereto as Exhibit C. Applicant has made a good faith effort to obtain the voluntary joinder of the interest owners in the well unit.

(e) Pursuant to Division rules, applicant requests that a 200% risk charge be assessed against the non-consenting interest owner.

(f) A copy of the Authority for Expenditure for the proposed well is attached hereto as Exhibit D. The drilling and completion costs set forth therein are fair and reasonable, and are comparable to those of other wells of this depth drilled in this area of Chaves County.

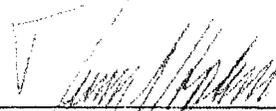
(g) Overhead charges of \$5,000.00/month for a drilling well, and \$500.00/month for a producing well, are requested. These rates are fair and reasonable, and are in line with rates charged by other operators in this area for wells of this depth. Applicant also requests that the order contain a provision adjusting the rates pursuant to the COPAS accounting procedure.

(h) Applicant requests that it be designated operator of the well.

VERIFICATION

STATE OF TEXAS)
) ss.
COUNTY OF MIDLAND)

Dennis J. Hopkins, being duly sworn upon his oath, deposes and states that: He is a landman for Parallel Petroleum Corporation; he is authorized to make this verification on its behalf; he has read the foregoing statement, and knows the contents thereof; and the same is true and correct to the best of his knowledge, information, and belief.



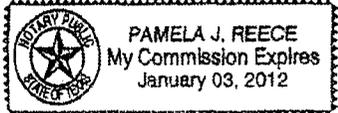
Dennis J. Hopkins

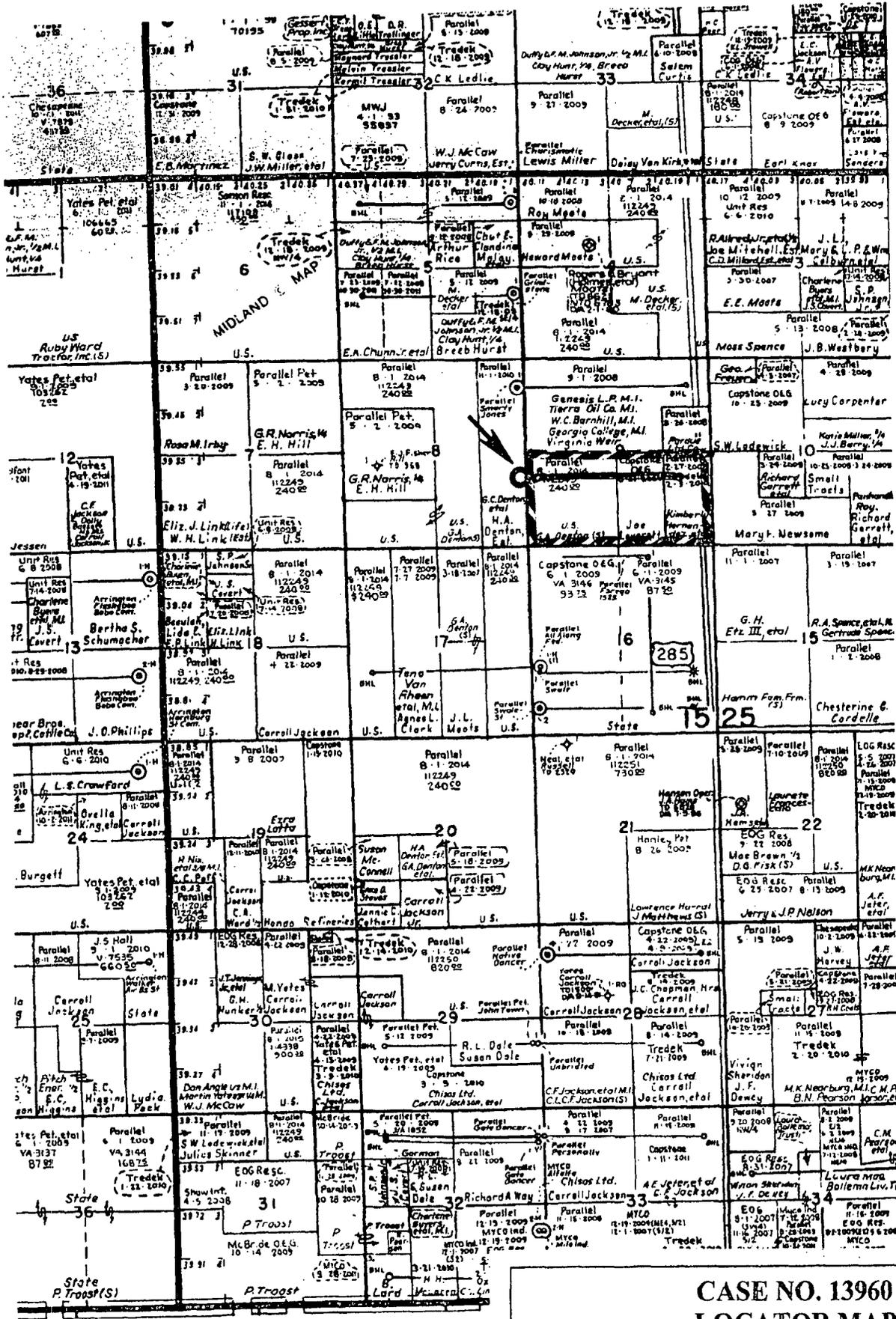
SUBSCRIBED AND SWORN TO before me this 1st day of April, 2008 by Dennis J. Hopkins.

My Commission Expires: 01-03-2012



Notary Public





BEFORE THE OIL CONSERVATION DIVISION

EXHIBIT

A

**CASE NO. 13960
 LOCATOR MAP
 WAR EMBLEM 1525-9 FED. COM. NO. 1
 T-15-S, R-25-E, NMPM
 SECTION 9: S/2
 CHAVES COUNTY, NEW MEXICO**

OWNERSHIP SCHEDULE					
CASE NO. 13960					
WAR EMBLEM 1525-9 FED. COM. NO. 1					
T-15-S, R-25-E, NMPM					
SECTION 9; S/2					
CHAVES COUNTY NEW MEXICO					
Tract No.	Tract SW/4	Gross Acres	Owner	Percentage	Unit %
1		160	Parallel Petroleum Corporation Capstone Oil & Gas Company, LP	85.00000000%	42.50000000%
2	E/2 SE/4 less Tract 3 below	67.978	Parallel Petroleum Corporation Capstone Oil & Gas Company, LP	65.00000000%	18.0566667%
3	12.022 acres described below	12.022	State Highway Commission of New Mexico	3.75687500%	3.75687500%
4	W/2 SE/4	80	Rebecca L. Tedeschi John Leverett Bob R. Leverett and Mary Leverett, individual and as Trustees of the Leverett Living Trust, dated January 20, 1984 Sue E. Owen Margie L. Mara Joe B. Leverett, Jr.	16.6666667% 16.6666667% 16.6666667% 16.6666667% 16.6666667% 16.6666667%	4.1666667% 4.1666667% 4.1666667% 4.1666667% 4.1666667% 4.1666667%
		320			100.00000000%
Tract 3 Description: Beginning at a point in the Easterly right of way line of NMP F-023-2(6), County of Chaves, State of New Mexico a point on the Southern line of Section 9, said point bears Westerly along said Southern line a distance of 219.43 feet to the Southwest corner of said Section 9, thence N. 71 degrees 41 minutes West along said Easterly right of way line a distance of 2616.97 feet to a point on the latitudinal 1/4 line of Section 9, thence Westerly along said latitudinal 1/4 line a distance of 200.10 feet to a point on the Westerly right of way line of NMP F-023-2(6) thence South 1 degree 41 minutes East along the Westerly right of way line a distance of 2618.03 feet to a point on the Southern line of Section 9 thence Easterly along said Southern section line of Section 9, a distance of 200.14 feet to the point and place of beginning.					
Unit Working Interest Recapitulation					
					Unit %
	Parallel Petroleum Corporation			60.5566667%	
	Capstone Oil & Gas Company, LP			10.6864688%	
	State Highway Commission of New Mexico			3.7568750%	
	Rebecca L. Tedeschi			4.1666667%	
	John Leverett			4.1666667%	
	Bob R. Leverett and Mary Leverett, Individually and as Trustees of the Leverett Living Trust, dated January 20, 1984			4.1666667%	
	Sue E. Owen			4.1666667%	
	Margie L. Mara			4.1666667%	
	Joe B. Leverett, Jr.			4.1666667%	
					100.00000000%

B
EXHIBIT

PARALLEL
Petroleum Corporation

1004 N. Big Spring, Suite 400 • Midland, TX 79701 • Ph: 432-684-3727 • Fax: 432-684-3905

MICHAEL M. GRAY

CERTIFIED MAIL

New Mexico Department of Transportation
P. O. Box 1149
Santa Fe, NM 87504-1149

Attention: Secretary Rhonda G. Faught

Re: War Emblem 1525-9 No. 1 Well
Township 15 South, Range 25 East
Section 9: S/2
Chaves County, New Mexico

Dear Secretary Faught:

According to the records of Chaves County, New Mexico, the New Mexico State Highway Commission appears to be the owner of the minerals underlying the following lands in Section 9, T15S, R25E, NMPM, Chaves County, New Mexico:

a 12.022 acre tract of land more particularly described by metes and bounds as follows: BEGINNING at a point on the easterly right of way line of NMP F-023-2(6), County of Chaves, State of New Mexico; a point on the southerly line of Section 9, said point bears westerly along said southerly line a distance of 219.43 feet from the southeasterly corner of said Section 9; THENCE north 1 degree 41 minutes west along said easterly right of way line a distance of 2,618.97 feet to a point on the latitudinal 1/4 line of Section 9; THENCE westerly along said Latitudinal 1/4 line a distance of 200.1 feet to a point on the westerly right of way line of NMP F-023-2(6); THENCE south 1 degree 41 minutes east along said westerly right of way line a distance of 2,618.03 feet to a point on the southerly line of Section 9; THENCE easterly along said southerly section line of Section 9, a distance of 200.14 feet to the point and place of beginning.

Parallel Petroleum Corporation proposes the drilling of the War Emblem 1525-9 No. 1 Well to horizontally test the Wolfcamp formation in the S/2 of Section 9, 15S-25E, NMPM, Chaves County, New Mexico. An Authority for

BEFORE THE OIL CONSERVATION DIVISION

EXHIBIT



mgray@pili.com
www.pili.com



Expenditure, estimating the cost (\$2,317,500.00) of the proposed well is enclosed. The Authority for Expenditure is an estimate and actual costs could be more or less the amount estimated. Under the rules of the Oil Conservation Division of the State of New Mexico, the proration unit for this well will be comprised of the 320 acres constituting the S/2 of Section 9. Your mineral interest represents 3.756875% of the proration unit. Your estimated proportionate cost, if you elect to participate in the well, will be \$87,066.00.

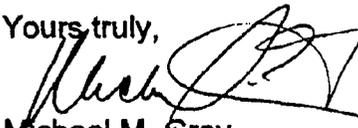
The War Emblem 1525-9 No. 1 Well will be commenced at an off-unit location, 1880' from the south line and 190' from the east line of Section 8, T15S, R25E, and will be drilled to an approximate vertical depth of 5,250'. The well is then projected to be drilled horizontally, 4,150', to a terminus approximately 1,880' from the south line and 660' from the east line of Section 9. The well is projected to penetrate the Wolfcamp formation at 1880' from the south line and 660' from the west line of Section 9.

If you desire to participate for your interest in this well, please signify your intention to join in the well by executing and returning one copy of the enclosed Authority for Expenditure to the letterhead address.

We would like to acquire an Oil and Gas Lease from the Department. Previous attempts to determine the method for acquiring an Oil and Gas Lease from the Department have led to dead ends. If there is a statutory method allowing the acquisition of oil and gas leases from the Department of Transportation, please advise us.

If you have any questions please contact me at the letterhead address or phone number.

Yours truly,


Michael M. Gray
Land Manager, New Mexico

word1149



SENDER COMPLETE THIS SECTION

- Complete items 1, 2, and 3. Also complete item 4 if Restricted Delivery is desired.
- Print your name and address on the reverse so that we can return the card to you.
- Attach this card to the back of the mailpiece, or on the front if space permits.

1. Article Addressed to:
 NEW MEXICO DEPT. OF TRANS.
 BOX 1149
 SANTA FE, NM 87504-1149

WAR EMBLEM 1525-9 #1

2. Article Number (Transfer from service label) 7006 0100 0001 2440 4618

COMPLETE THIS SECTION ON DELIVERY

A. Signature Agent Addressee
 X
 B. Received by (Printed Name) C. Date of Delivery
 D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

4. Restricted Delivery? (Extra Fee) Yes

U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)

For delivery information, visit our website at www.usps.com

OFFICIAL USE

Postage \$	Postmark Here
Certified Fee	
Return Receipt Fee (Endorsement Required)	
Restricted Delivery Fee (Endorsement Required)	

TURN AT TOP OF ENVELOPE TO THE RIGHT
 TURN ADDRESS FOLD AT DOTTED LINE
CERTIFIED MAIL
 7006 0100 0001 2440 4618
 9194 0442 1000 0000 0000

U.S. Postal Service
CERTIFIED MAIL RECEIPT
 (Domestic Mail Only; No Insurance Coverage Provided)

For delivery information, visit our website at www.usps.com

OFFICIAL USE

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 SANTA FE, NM 87504-1149

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 X [Signature]
 B. Received by (Printed Name) C. Date of Delivery
 D. Is delivery address different from item 1? Yes
 If YES, enter delivery address below: No

3. Service Type
 Certified Mail Express Mail
 Registered Return Receipt for Merchandise
 Insured Mail C.O.D.

TURN AT TOP OF ENVELOPE TO THE RIGHT
 TURN ADDRESS FOLD AT DOTTED LINE
CERTIFIED MAIL
 7006 0100 0001 2440 4618

Sent to
 New Mexico
 Street, Apt. N
 or PO Box N
 City, State, ZIP+4
 WAR EMBLEM 1525-9 #1

PARALLEL

AUTHORITY FOR EXPENDITURE

OPERATOR Parallel Petroleum	WELL NAME War Emblem 1525-9 #1	APR NUMBER 4070029
LOCATION S/2 Sec 9, T15S, R25E	COUNTY Chaves	STATE New Mexico
PURPOSE Drill & Complete Wolfcamp Horizontal Gas Well	TYPE WELL gas	DOCUMENT DATE 07-Mar-07
PROPOSED DEPTH 601084 / County Line / Wildcat(Wolfcamp Gas)		PROPOSED DATE AUG 07

INTANGIBLE WELL COSTS		BCP	ACP	TOTAL
830.020 PERMIT	\$ 2,000			\$ 4,500
830.040 SURF DAMAGES	\$ 4,000			\$ 14,000
830.110 LOC & PITS	\$ 64,000			\$ 56,000
830.130 DRLG - DAYWORK	20.0 DAYS @ \$17,000 /DAY			\$ 340,000
830.130 DRILLING	0 FEET @ \$0.00 /FT			
830.120 DRILLING RIG - MOB	\$ 49,000			\$ 49,000
830.200 BITS	\$ 65,000			\$ 67,000
830.180 WATER - BCP	\$ 35,000			\$ 35,000
830.140 TRUCKING - BCP	\$ 18,200			\$ 18,200
830.170 POWER & FUEL	\$ 30,000			\$ 30,000
830.270 MUD LOGGING	\$ 25,000			\$ 25,000
830.230 CEMENTING - SURF	\$ 35,000			\$ 35,000
840.190 PRODUCTION	\$ 30,000			\$ 30,000
830.270 CORING	\$ -			\$ -
830.290 WL LOGGING - OH	\$ 32,000			\$ 32,000
840.100 COMPLETION UNIT	\$ DAYS @ \$4,500 /DAY			
830.150 BCP - RENTALS - SURF	\$ 20,000			\$ 20,000
840.150 ACP - RENTALS - SURF	\$ 15,000			\$ 15,000
840.220 STIMULATE - ACID	\$ 25,000			\$ 25,000
830.240 ENVIRON. COST - BCP	\$ 15,000			\$ 15,000
830.320 DRLG OVERHEAD	\$ 6,000			\$ 6,000
830.090 LABOR - CO. - BCP	\$ 24,000			\$ 24,000
840.030 LABOR - CO. - ACP	\$ 5,000			\$ 5,000
830.240 CLEAN UP SITE	\$ 50,000			\$ 50,000
830.260 MISC. INTANG. COST	\$ 20,000			\$ 20,000
830.340 CONTINGENCY - BCP	5.00%			\$ 5,000
830.030 SURVEY LOC	\$ 2,500			\$ 2,500
830.050 INSURANCE	\$ -			\$ -
830.110 ROADS	\$ 2,000			\$ 2,000
830.250 WELDING	\$ 2,000			\$ 2,000
830.190 MUD & CHEM	\$ 58,000			\$ 58,000
840.140 TRUCKING - ACP	\$ 8,000			\$ 8,000
830.135 DIRECTIONAL	\$ 139,000			\$ 139,000
830.270 DST	\$ -			\$ -
830.230 INTERMED.	\$ -			\$ -
860.080 FLOAT EQUIP	\$ 3,000			\$ 3,000
830.270 CORE ANAL	\$ -			\$ -
840.200 CSD. HOLE	\$ 7,000			\$ 7,000
840.160 BCP - SUBSURFACE	\$ 35,000			\$ 35,000
840.160 ACP - SUBSURFACE	\$ 20,000			\$ 20,000
840.220 FRACTURE	\$ 385,000			\$ 385,000
840.140 COMPL. FLUID	\$ 5,000			\$ 5,000
840.260 ENV. COST - ACP	\$ 15,000			\$ 15,000
830.070 GEOL SUPR	\$ 5,000			\$ 5,000
830.250 CONTRACT - BCP	\$ 15,000			\$ 15,000
840.020 CONTRACT - ACP	\$ 15,000			\$ 15,000
830.250 FENCE LOC	\$ 3,000			\$ 3,000
840.120 MISC. COST - ACP	\$ 10,000			\$ 10,000
840.280 CONTING. ACP	5.00%			\$ 5,000
830.020 TITLE	\$ 10,000			\$ 10,000
840.140 WTR - ACP	\$ 35,000			\$ 35,000
850.080 FLOAT EO	\$ 3,000			\$ 3,000
840.200 PERF	\$ 70,000			\$ 70,000
830.080 ENGR SUPR	\$ 10,000			\$ 10,000
TOTAL INTANGIBLE WELL COSTS		\$ 1,094,800	\$ 773,300	\$ 1,868,100

TANGIBLE WELL COSTS		BCP	ACP	TOTAL
850.020 CASING: SURFACE	0 FEET OF.....	0.000 INCH CASING @	\$0.00 /FT	
850.030 INTERMEDIATE	1400 FEET OF.....	8.625 INCH CASING @	\$26.00 /FT	\$ 36,400
850.030 PROTECTION	0 FEET OF.....	0.000 INCH CASING @	\$0.00 /FT	
860.040 PRODUCTION	9690 FEET OF.....	5.500 INCH CASING @	\$14.00 /FT	\$ 135,660
860.040 LINER	0 FEET OF.....	0.000 INCH CASING @	\$0.00 /FT	
830.210 INSPECT TUB. - BCP	\$ 4,500	840.170 INSP. - ACP	\$ 4,500	\$ 7,500
850.050 CASINGHEAD	\$ 7,500	860.030 TUBINGHEAD	\$ 7,500	\$ 7,500
860.070 CHRISTMAS TREE	\$ 10,000	860.070 WH FITTINGS	\$ 5,000	\$ 15,000
860.090 TUBING	4400 FEET OF.....	2.875 INCH TUBING @	\$5.63 /FT	\$ 24,772
860.110 RODS	0 FEET OF RODS @	\$0.00 /FT (AVG)		
860.130 SUBSURFACE PUMP	\$ -	860.120 TBG ANCHOR	\$ -	\$ 7,500
860.200 FLOWLINE	\$ 2,000	860.190 ELEC CONSTR	\$ -	\$ 2,000
860.210 TANK BATTERY	\$ 15,000	860.280 COMPRESSOR	\$ -	\$ 15,000
860.220 GAS PROD. UNIT	\$ -	860.260 DEHYDRATOR	\$ 10,000	\$ 10,000
860.220 HEATER-TREATER	\$ -	860.220 SEPARATOR	\$ 10,000	\$ 10,000
860.130 PLUNGER LIFT	\$ -	860.180 PRIME MOVER	\$ -	\$ -
860.230 SURF EQUIP FTNGS	\$ 18,000	860.250 BUILDINGS	\$ -	\$ 16,000
860.020 INSTALLATION LABOR	\$ 18,000	840.130 TRUCKING	\$ 18,200	\$ 33,000
860.170 PUMPING UNIT	\$ -	860.290 METER/CONTROLS	\$ 20,000	\$ 20,000
860.280 GAS PIPELINE/METER	\$ 50,000			\$ 50,000
860.180 CONTINGENCY	10.00%			\$ 5,000
TOTAL TANGIBLE COSTS		\$ 80,100	\$ 389,300	\$ 469,400
TOTAL WELL COSTS		\$ 1,154,900	\$ 1,162,600	\$ 2,317,500
PLUG & ABANDON EXPENSE		\$ -	\$ -	\$ -
DRY HOLE COST		\$ 1,154,900	\$ -	\$ 1,154,900

CATEGORY	TYPE	DEPARTMENT	CATEGORY	COMPANY	DECIMAL	NET ESTIMATED COST
	X CAPITAL	BUDGETED		Parallel Petroleum	0.8500000	\$ 1,969,875
PREPARED BY <i>Steve Graham</i>	DATE 7/11/07	APPROVALS <i>Steve Graham</i>	DATE 3/2/07	APPROVALS <i>James Alley</i>	DATE 2/12/07	NET AFE FOR DRY HOLE COST ONLY \$ 981,665
APPROVALS <i>Steve Graham</i>	DATE 3/9/07	APPROVALS <i>Steve Graham</i>	DATE 3/11/07	APPROVALS <i>Steve Graham</i>	DATE 3/11/07	
NAME OF COMPANY	AUTHORIZED REPRESENTATIVE'S SIGNATURE	TITLE	DATE			

This Authorization for Expenditure (AFE) is merely an estimate and should not be used if it is to substantially exceed such estimates.

associated with the proposed operation could

