

NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

September 14, 2006

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

**Parallel Petroleum Corporation
10045 N. Big Spring – Suite 400
Midland, Texas 79701**

**Attention: Michael M. Gray (mgray@plll.com)
Land Manager**

**Administrative Order NSL-5449 (BHL)
(Non-Standard Subsurface Location/Producing Area)**

Dear Mr. Gray:

Reference is made to the following: (i) your application (*administrative application reference No. pMES0-625748888*) dated June 19, 2006; and (ii) the records of the New Mexico Oil Conservation Division ("Division") in Artesia and Santa Fe, New Mexico: all concerning Parallel Petroleum Corporation's ("PPC") request for an unorthodox subsurface Wolfcamp gas well location/producing area for its proposed Strong Box Federal Well No. 1 to be drilled as a high angle/horizontal drainhole from a surface location 300 feet from the South line and 2230 feet from the West line (Unit N) of Section 11, Township 19 South, Range 21 East, NMPM, Eddy County, New Mexico.

Your application has been duly filed under the provisions of Division Rules 104.F, 111.A (13), 111.C (2), and 1210.A (2) [formerly Division Rule 1207.A (2), see Division Order No. R-12327-A, issued by the New Mexico Oil Conservation Commission in Case No. 13482 on September 15, 2005].

The W/2 of Section 11, being a standard 320-acre stand-up deep gas spacing unit/Project Area [*Rule 111.A (9)*] for wildcat Wolfcamp gas production, is to be dedicated to this well.

It is the Division's understanding that all of Section 11 is included within a single federal lease (*U. S. Government lease No. NM-98791*) with common mineral interest ownership.

It is further understood from the information provided that the targeted penetration point into the top of the Wolfcamp formation at 4,337 feet for this wellbore is 660 feet from the South line and 2230 feet from the West line (Unit N) of Section 11 and its targeted terminus point in the Wolfcamp formation at an estimated measured depth of 8,491 feet (4,306 feet true vertical depth) is 660 feet from the North line and 2230 feet from the West line (Unit C) of Section 11.

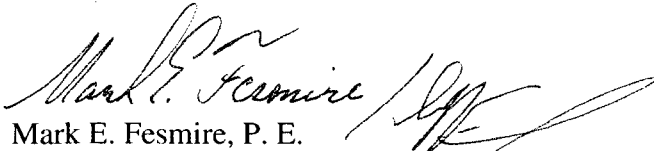
By the authority granted me under the provisions of Division Rules 111.C (2) and 104.F (2), the following described Producing Area/drilling window [**Rule 111.A (7)**] within the Wolfcamp formation [**Producing Interval as defined by Division Rule 111.A (8)**] is hereby within the subject 320-acre Project Area:

- (a) no closer than the normal set-back requirement of 660 feet to the North, West, and South lines of Section 11; and
- (b) no closer than 410 feet to the eastern boundary of this 320-acre Project Area (north/south bisecting line of Section 11).

Further, PPC shall comply with all applicable provisions of Division Rule 111.

Jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

Sincerely,


Mark E. Fesmire, P. E.
Director

MEF/ms

cc: New Mexico Oil Conservation Division – Artesia
U. S. Bureau of Land Management – Carlsbad
