



NEW MEXICO ENERGY, MINERALS and NATURAL RESOURCES DEPARTMENT

BILL RICHARDSON

Governor

Joanna Prukop

Cabinet Secretary

Mark E. Fesmire, P.E.

Director

Oil Conservation Division

January 22, 2007

Parallel Petroleum Corporation
c/o Ms. Ocean Munds-Dry
Holland & Hart, LLP
P.O. Box 2208
Santa Fe, NM 87504

Administrative Order NSL-5551

Re: Juke Box 1921-10 Federal Well No. 1-Y
API No. 30-015-35347
P-10-19S-21E
Eddy County

Dear Ms Munds-Dry:

Reference is made to the following:

(a) your application (**administrative application reference No. pTDS07-01646701**) submitted to the New Mexico Oil Conservation Division (the Division) in Santa Fe, New Mexico on January 16, 2007, on behalf of Parallel Petroleum Corporation (Parallel),

(b) your supplemental e-mail communication dated January 22, 2007, and

(c) the Division's records pertinent to this request.

Parallel has requested approval to produce its Juke Box 1921-10 Federal Well No. 1Y (API No. 30-015-35347) at an unorthodox bottom-hole ("terminus") well location in the Wolfcamp formation, 659 feet from the South line and 1285 feet from the West line (Unit M) of Section 10, Township 19 South, Range 21 East, N.M.P.M., in Eddy County, New Mexico. This is a horizontal well drilled from an unorthodox surface location. However, we understand that the point of penetration of the Wolfcamp formation is at a standard location.

The S/2 of Section 10 will be dedicated to this well in order to form a standard 320-acre wildcat Wolfcamp gas spacing unit. This location is governed by statewide Rule 104.C(2), which provides for 320-acres units, with wells located at least 660 feet from a unit outer boundary, and by statewide Rule 111.B(3), which requires that all portions of the producing interval of a directional well be within the producing area, defined as that portion of the project area within applicable setbacks from the outer boundaries of the producing area. The terminus of this well in the Wolfcamp is approximately 659 feet from the southern unit boundary.

Your application has been duly filed under the provisions of Division Rules 104.F and 1210.A(2).

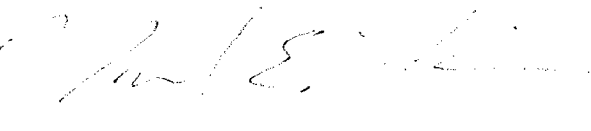
It is our understanding that Parallel is seeking this location because of an unintended diversion of the horizontal shaft of this well to a point outside the producing area.

It is also understood that all working interest owners in the unit to the south, towards which this location encroaches, have consented, as evidenced by copies of consents attached to your application.

Pursuant to the authority granted me under the provisions of Division Rule 104.F(2), the above-described unorthodox location is hereby approved.

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

Sincerely,



Mark E. Fesmire, P.E.
Director

MEF/db

cc: New Mexico Oil Conservation Division - Artesia
United States Bureau of Land Management - Carlsbad